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VISMOR, MCGILL & BELL, INC.

SOUTH CAROLINA  
ADMINISTRATIVE OFFICES STUDY

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ADMINISTRATIVE OFFICES STUDY

Prepared for:

The South Carolina State Development Board  
under contract with  
The South Carolina Division of Administration  
Office of the Governor

Prepared by:

Vismor, McGill & Bell, Inc.  
Columbia, South Carolina

June, 1976

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PATTERNS OF CORPORATE HEADQUARTERS  
AND REGIONAL OFFICE DISTRIBUTIONS AND MOVEMENTS  
IN THE UNITED STATES

Preface

Dimensioning patterns of change for most economic sectors is not usually a particularly difficult task since most quantitative data published use a nationally recognized system for identification...the Standard Industrial Classification...SIC. This U.S. Department of Commerce authored coding provides a useful, uncomplicated set of two (broad based) to six (refined) digit numbers into which literally all businesses are categorized.

This SIC system is the format for all governmental and many private publications. Data printed by the Department of Commerce, Department of Labor, state employment agencies, economic development boards, etc. are all placed into this standardized mold. This allows for easy comparison of information from year to year and from source to source. It promotes research by providing accessible, accurate material for practically every economic sector.

But, one important segment that does not fit into this quantitative classification system is "administrative offices." Although corporate headquarter and district offices are usually recognized as a strong, vibrant economic power, the information reporting system of the nation makes it difficult to successfully identify and trace the patterns of change for this industry. For example, a manufacturing corporation that has 500 employees in a headquarters office would be classified according to the products it manufactured, even though it might be possible that the nearest plant to the corporate office was hundreds of miles away.

Thus, it became necessary for this report to utilize somewhat untraditional approaches and sources to identify the characteristics of this market. The results, it is felt, are accurate. But, the approaches often need explanation.

First, this section discusses changes that have been and are taking place in corporate headquarter locations. This is followed by an examination of regional and district office movements.

### Corporate Headquarters Offices

Although in theory all businesses, regardless of size or purpose, have a "headquarters office," in the reality of this study the investigation was limited to specific types and sizes. In designating the kinds of businesses to be considered, categories that "made sense" relative to location criteria, desirability, and possible reaction to overt efforts to attract them to South Carolina were chosen. These included, by broad category:

- ...manufacturing corporations
- ...life insurance companies
- ...retailers
- ...transportation companies
- ...national utilities.

Manufacturing. By late 1975, some 18 percent of the largest 500 manufacturers and 14 percent of the largest 1,000 manufacturers were headquartered in New York City. This ranked New York well ahead of second place Chicago, which boasted 52 of the top 1,000 industrial headquarters. In all, the leading 14 cities accounted for 47 percent of the leading 500 and 35 percent of the "second" 500 corporate headquarter locations of manufacturing firms. The leading cities in 1975 were:

#### Cities with the Highest Concentration of Major Manufacturing Headquarters, 1975-1976

	<u>Largest 500 Manufacturers<sup>1</sup></u>	<u>Second Largest 500 Manufacturers<sup>2</sup></u>	<u>Total</u>
New York	90	53	143
Chicago	30	22	52
Cleveland	14	17	31
Los Angeles	14	10	24
Houston	11	12	23
Minneapolis-St. Paul	12	9	21
Dallas	6	15	21
Pittsburgh	15	5	20
St. Louis	11	7	18
Milwaukee	9	8	17
Greenwich, Conn.	6	6	12
Philadelphia	7	4	11
San Francisco	6	5	11
Atlanta	5	4	9
Subtotal	236	177	413

Source: <sup>1</sup>Time, Inc., Fortune, May, 1976.

<sup>2</sup>Time, Inc., Fortune, June, 1975.



As would be expected from the regional location of leading industrial headquarter offices, the Mid-Atlantic and East North Central sections of the country (see Map I) contain a majority of the facilities (over 57 percent). Concentrations in these two regions were greater for the 500 largest corporations (about 60 percent) than the "second 500" (54 percent) as the smaller headquarter facilities showed generally greater dispersion. The total distribution was:

The Distribution of Major Manufacturers by Region,  
1975-1976

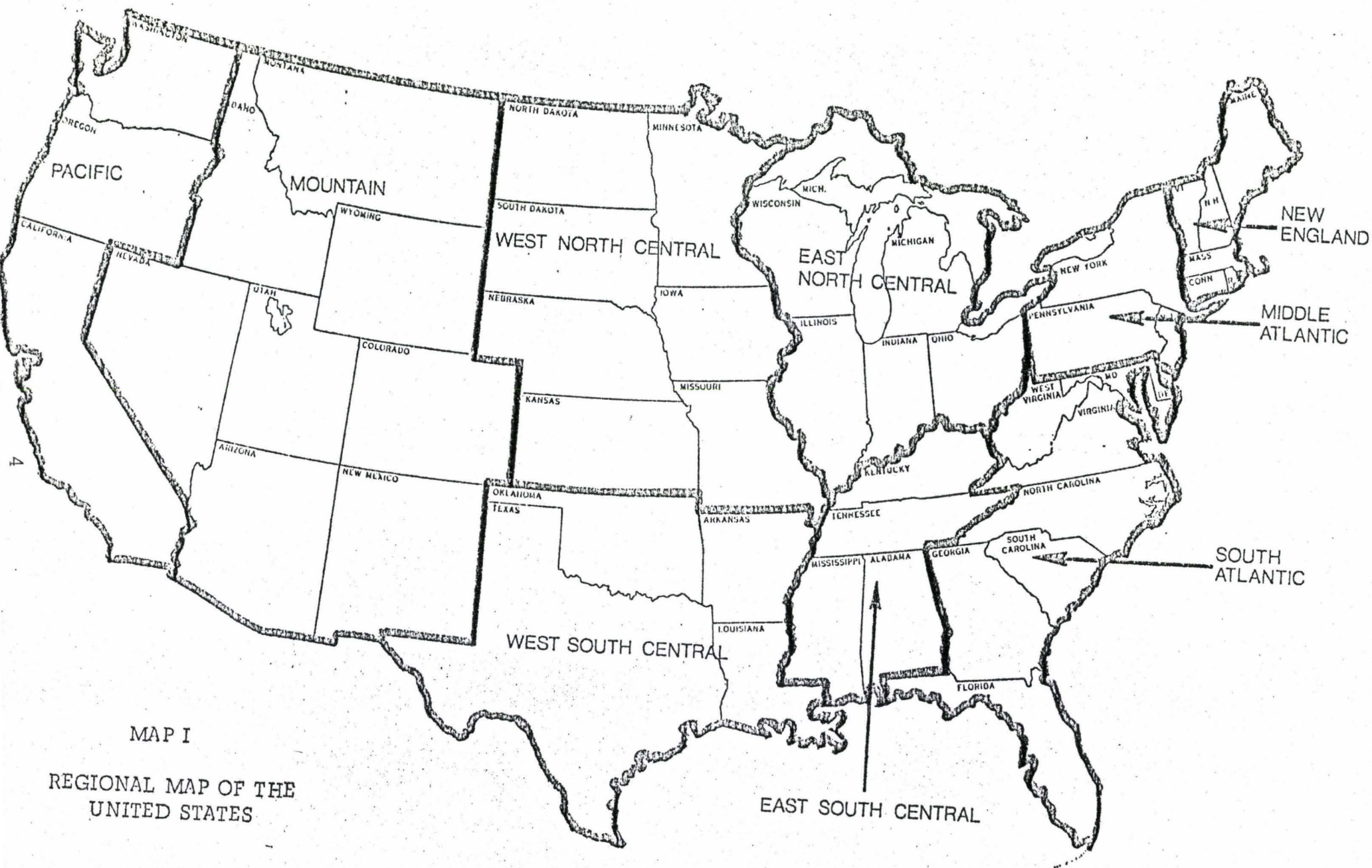
<u>Region</u>	<u>500 Largest</u>	<u>Second Largest 500</u>	<u>Total 1,000 Largest Manufacturers</u>
Mid-Atlantic	165	125	290
East North Central	139	145	284
Pacific	47	50	97
New England	43	38	81
West North Central	35	36	71
South Atlantic	31	46	77
West South Central	26	39	65
Mountain	9	7	16
East South Central	5	14	19
Total	500	500	1,000

Source: Ibid.

Although the strong position of New York and the Northern geographical area is still obvious, the strength of these areas has been declining. For example, in 1964 New York City was the home location for over 27 percent of the 500 largest industrial firms. By 1975, however, this share had dropped to 18 percent. Likewise, the Northeast (New England and Middle Atlantic regions) contained 48 percent of the top 500 firms in 1964. By 1975, the Northeast sector had dropped to 42 percent.

For the top 500 firms during this ten year period, gains were noted in the West (Mountain and Pacific regions) [42 to 56 firms], while the South (South Atlantic, East South Central and West South Central) realized a jump from 39 to 62 offices.





MAP I

REGIONAL MAP OF THE  
UNITED STATES

Major individual city losers in the national manufacturers' office picture from 1964 to 1975 (for the top 500 firms) were:

New York City	-42 offices
Chicago	-10 offices
Detroit	- 7 offices

Major corporate headquarters gains for the top 500 manufacturers were made by:

Greenwich, Conn.	+ 6 offices
Stamford, Conn.	+ 5 offices

Many of the gains, however, were recorded in non-major city areas. A check of those firms which had moved from 1964 to 1975 shows that many companies moved out of a major city to smaller, but nearby towns. Development in Connecticut is a prime example of this trend.

Based on the 1975 list of the top 1,000 manufacturing firms, an analysis of headquarter movement indicates that for 114 moves that could be traced:

- ...57 percent were from a major city to fairly nearby smaller cities in the same region.
- ...only five percent were from a major city in one region to another major city in the same region.
- ...14 percent moved from a major city in one region to a major city in a different region.
- ...six percent shifted from a major city in one region to a smaller town in a different region.
- ...18 percent had "other" type moves.

These moves are detailed fully in the following Exhibit I.

# EXHIBIT I

## MAJOR MANUFACTURERS THAT MOVED CORPORATE HEADQUARTER OFFICES, 1964-1975

<u>Top 500</u> <u>Company</u>	<u>Location in:</u>		<u>Industrial Rank</u> <u>1975</u>
	<u>1964</u>	<u>1975</u>	
General Electric	New York	Fairfield, Conn.	9
Chrysler	Detroit	Highland Park, Mich.	10
Shell Oil	New York	Houston	14
Continental Oil	New York	Stamford, Conn.	16
Atlantic-Richfield	New York	Los Angeles	15
Kraftco	New York	Glenview, Ill.	33
Greyhound	Chicago	Phoenix	41
Rockwell International	El Segundo, Calif.	Pittsburgh	31
Xerox	Rochester	Stamford, Conn.	39
Cities Service	New York	Tulsa, Okla.	53
Sun Oil Co.	Philadelphia	St. Davids, Pa.	36
Bendix	Detroit	Southfield, Mich.	70
American Can	New York	Greenwich, Conn.	65
Coca Cola	New York	Atlanta	64
CPC	New York	Englewood Cliffs, N.J.	68
Pepsico	New York	Purchase, N.Y.	83
Allied Chemical	New York	Morristown, N.J.	82
Combustion Engineering	New York	Stamford, Conn.	120
Olin	New York	Stamford, Conn.	163
Ingersoll-Rand	New York	Woodcliff Lake, N.J.	121
Pullman	Philadelphia	Chicago	102
Archer-Daniels-			
Midland	Minneapolis	Decatur, Ill	111
Martin Marietta	New York	Rockville, Md.	193
AMF	New York	White Plains, N.Y.	202
Johns-Manville	New York	Denver	184
Heublein	Hartford, Conn.	Farmington, Conn.	179
Union Camp	New York	Wayne, N.J.	231
Northrop	Beverly Hills	Los Angeles	205
Brunswick	Chicago	Skokie, Ill.	237
Lone Star	New York	Greenwich, Conn.	291
Avco	New York	Greenwich, Conn.	285
Kane-Miller	New York	Tarrytown, N.Y.	283
Stauffer Chemical	New York	Westport, Conn.	213



## EXHIBIT I (continued)

<u>Company</u>	<u>Location In:</u>		<u>Industrial Rank</u>
	<u>1964</u>	<u>1975</u>	<u>1975</u>
Liggett & Myers	New York	Durham, N.C.	277
General Cable	New York	Greenwich, Conn.	470
Richardson-Merrell	New York	Wilton, Conn.	282
Missouri Beef Packers	Amarillo, Texas	Plainview, Texas	N/A
Chesebrough-Pond	New York	Greenwich, Conn.	278
American Petrofina	New York	Dallas	206
Potlatch Forest	Lewiston, Idaho	San Francisco, Calif.	342
Flintkote	New York	White Plains, N.Y.	384
I-T-E	Philadelphia	Spring House, Pa.	343
Dan River Mills	Danville, Va.	Greenville, S.C.	409
Trans Union	Chicago	Lincolnshire, Ill.	299
Ward Foods	New York	Willmette, Ill.	349
Harsco	Harrisburg, Pa.	Camp Hill, Pa.	333
Dairylea Co-op.	New York	Pearl River, N.Y.	438
General Instrument	Newark	New York	394
Ex-Cell-O	Detroit	Troy, Mich.	391
Kellwood	Chicago	St. Louis	422
Bluebird	Chicago	Philadelphia	450
Gardner-Denver	Quincy, Ill.	Dallas	392
U.S. Steel	New York	Pittsburgh, Pa.	13
Champion International	New York	Stamford, Conn.	79
American Motors	Detroit	Southfield, Mich.	87
Uniroyal	New York	Middlebury, Conn.	93
United Brands	New York	Boston	94
Nabisco	New York	East Hanover, N.J.	103
Agway	Syracuse, N.Y.	DeWitt, N.Y.	154
Motorola	Chicago	Schaumburg, Ill.	156
AMAX	New York	Greenwich, Conn.	211
Commonwealth Oil			
Refining	San Juan, P.R.	San Antonio, Tex.	251
Gould	Chicago	Rolling Meadows, Ill.	256
MBPXL	Plainview, Tex	Wichita, Kan.	269
Cerro	New York	Chicago	293
Fairmont Foods	Omaha, Neb.	Houston, Tex.	368
Simmons	New York	Atlanta, Ga.	386
Thiokol	Bristol, Pa.	Newtown, Pa.	446
Wheelabrator-Frye	New York	Hampton, N.H.	462
Baker International	Los Angeles	Orange, Calif.	339
Harnischfeger	Milwaukee, Wis.	Brookfield, Wis.	426



## EXHIBIT I (continued)

<u>Second 500</u> <u>Company</u>	<u>Location In:</u>		<u>Industrial Rank</u>
	<u>1964</u>	<u>1975</u>	<u>1975</u>
Nalco Chemical	Chicago	Oak Brook, Ill.	507
National Starch & Chemical	New York	Bridgewater, N.J.	510
Riegel Textile	New York	Greenville, S.C.	532
Armstrong Rubber	West Haven, Conn.	New Haven, Conn.	535
Coca-Cola Bottling Co. of New York	New York	Hackensack, N.Y.	537
Triangle Industries	Newark	Holmdel, N.J.	540
Wean United	Warren, Ohio	Pittsburgh	545
Instrument Systems	New York	Huntington, N.Y.	568
Apco Oil	Oklahoma City	Houston	579
McCormick	Cokeysville, Md.	Hunt Valley, Md.	592
U.M.C. Industries	St. Louis	New York	597
Raybestos-Manhattan	Bridgeport, Conn.	Trumbull, Conn.	631
Monogram Industries	Los Angeles	Santa Monica, Calif.	632
DeLaval Turbine	Trenton, N.J.	Princeton, N.J.	650
Beldon	Chicago	Geneva, Ill.	663
AMBAC Industries	Garden City, N.Y.	Carle Place, N.Y.	664
Harvey Hubbell	Bridgeport, Conn.	Orange, Conn.	666
American Biltrite	Chelsea, Mass.	Cambridge, Mass.	686
American Crystal Sugar	Denver, Col.	Moorhead, Minn.	698
Mohawk Data Sciences	Herkimer, N.Y.	Utica, N.Y.	699
Medusa	Cleveland	Cleveland Hgts, Ohio	701
Murry Ohio Manufacturing	Nashville	Brentwood, Tenn.	702
Weil-McLain	Michigan City, Ind.	Dallas	707
Research-Cottrell	Bound Brook, N.J.	Bedminister, N.J.	708
Milton Bradley	East Longmeadow, Mass.	Springfield, Mass.	710
Dymo Industries	Oakland, Calif.	San Francisco	726
Booth Newspapers	Detroit	Ann Arbor, Mich.	728
M.S.L. Industries	Los Angeles	Chicago	733
Carlisle	Carlisle, Pa.	Cincinnati	744
National Union Electric	Stamford, Conn.	Greenwich, Conn.	748
Mohawk Rubber	Akron, Ohio	Hudson, Ohio	796
Crompton & Knowles	Worcester, Mass.	New York	827
Tampax	New York	Lake Success, N.Y.	829

## EXHIBIT I (continued)

<u>Second 500</u> <u>Company</u>	<u>Location In:</u>		<u>Industrial Rank</u>
	<u>1964</u>	<u>1975</u>	<u>1975</u>
Toro	Minneapolis	Bloomington, Minn.	835
Susquehanna	Alexandria, Va.	Los Angeles	838
Marquette Cement Manufacturing	Chicago	Nashville, Tenn.	843
Pantasote	New York	Greenwich, Conn.	902
American Thread	New York	Stamford, Conn.	953
Inspiration Consoli- dated Copper	New York	Morristown, N.Y.	961
Cook Paint & Varnish	Kansas City, Mo.	N. Kansas City, Mo.	974
Hazeltine	Little Neck, N.Y.	Greenlawn, N.Y.	979
Shelter Resources	New York	Lyndhurst, Ohio	986
Kuhlman	Troy, Mich.	Birmingham, Mich.	997

Source: Time, Inc., Fortune Magazine, respective issues.

Life Insurance Companies. Virtually all of the 50 major life insurance firms in the nation as of 1975 were located in major metropolitan cities. The most prominent city was New York, housing seven companies. The Northeast sector of the United States accounted for 44 percent of these firms, with all other areas well represented, with the exception of the West. The East North Central region held 20 percent, the West North Central 14 percent, the South 18 percent, while the West contained only four percent (two firms).

During the six year period from 1969\* to 1975, only one corporate office change was recorded for a major insurance company - Pacific Mutual moved to Los Angeles out of Newport Beach, California. Other insurance companies were "formed" and have since grown to nationally recognized companies, thus creating a new "headquarters location" for a city. But, only one change was noted.

The South had a proportionately large share of home offices for insurance companies with nine. These included:

<u>Company</u>	<u>Location</u>	<u>1975 Rank</u>
National Life & Accident	Nashville	19
American National	Galveston	25
Southwestern Life	Dallas	30
Jefferson Standard	Greensboro	33
Liberty National	Birmingham	35
Provident Life and Accident	Chattanooga	37
Life Insurance Company of Virginia	Richmond	38
Acacia Mutual	Washington, D.C.	48
Commonwealth Life	Louisville	50

Source: Ibid.

Retailing Corporations. The largest retailing companies in the nation showed a heavy concentration in the North, as noted for industrial or life insurance headquarters, as of 1975. New York City alone accounted for 20 percent of the top 50 retailing firms.

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\*This annual listing on non-manufacturing companies was not started until 1969.



The regional breakdown showed:

<u>Region</u>	<u>Percent of Top 50 Retailing Firms</u>
Northeast	42%
East North Central	24
West North Central	8
West	12
South	<u>14</u>
Total	100%

Source: Ibid.

Eight major retailers moved their home offices from 1969 to 1975. These eight companies were:

<u>Company</u>	<u>Location in:</u>	
	<u>1969</u>	<u>1975</u>
Great Atlantic and Pacific Tea	New York	Montvale, N.J.
S.S. Kresge	Detroit	Troy, Mich.
Jewell	Melrose Park, Ill.	Chicago
Grand Union	East Patterson, N.J.	Elmwood Park, N.J.
American Stores	Philadelphia	Wilmington, Del.
Wickes	Saginaw, Mich.	San Diego
Cook United	Cleveland	Maple Heights, Ohio
Giant Food	Washington, D.C.	Landover, Md.

Source: Ibid.

As is noted with the above, the majority of these retailers only moved to the suburbs of their 1969 city. And, only five retailers were headquartered in a Southern city...Winn-Dixie in Jacksonville (13); American Stores in Wilmington (15); Southland in Dallas (19); Colonial Stores in Atlanta (38); Giant Food, Landover, Maryland (44); Marriott, Washington, D.C. (46); and Zale of Dallas (49).

Transportation Companies. Major corporate offices for transportation firms were fairly well dispersed throughout the U.S. in 1975. New York City (16 percent), Chicago (12 percent), and Los Angeles (8 percent) tended to dominate the picture in 1975. Regionally, the companies were distributed as follows: Northeast, 20 percent; East North Central, 20 percent; West North Central, 18 percent; West, 24 percent; South, 18 percent. The Southern headquarters were divided with one location each in Roanoke, Virginia; Atlanta; Jacksonville; Dallas; Miami; with Winston-Salem having two offices (McLean Trucking and Piedmont Aviation), and Washington, D.C. having two national offices with Southern Railroad and Allegheny Airlines.

In 1975, four of the top 15 largest transportation companies were headquartered in the South; and they were: Seaboard Coastline Industries in Jacksonville (11); Delta Airlines in Atlanta (13); the Norfolk and Western Railroad in Roanoke, Virginia (14); and Southern Railway (15).

Three corporate headquarters changes were recorded from 1969 to 1975 among the major transportation lines:

<u>Line</u>	<u>Location in:</u>	
	<u>1969</u>	<u>1975</u>
National City Line	Lubbock, Texas	Englewood, Calif.
Yellow Freight Systems	Kansas City	Overland Pass, Kan.
Transcan Lines	Los Angeles	El Segundo, Calif.

National Utilities. Of the 50 largest national utilities four moved their corporate offices from 1969 to 1975. These companies were: Continental Telephone, which transferred its national office from St. Louis to Chantilly, Virginia;<sup>1</sup> Western Union moved from New York City to Mahwah, New Jersey; Consolidated Natural Gas from New York to Pittsburgh; and General Telephone from New York to Stamford, Connecticut. This is a relatively high number considering the fact that utilities are usually more geographically stable.



The regional breakdown showed:

<u>Region</u>	<u>Percent of Top 50 Retailing Firms</u>
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Wickes	Saginaw, Mich.	San Diego
Cook United	Cleveland	Maple Heights, Ohio
Giant Food	Washington, D.C.	Landover, Md.

Source: Ibid.

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Yellow Freight Systems	Kansas City	Overland Pass, Kan.
Transcan Lines	Los Angeles	El Segundo, Calif.

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<sup>1</sup>With current plans to again relocate, this time in Atlanta.



In addition to these previously cited moves, information about corporate relocation has been published in several sources recently. For example, Union Carbide announced they were leaving New York, taking 3,500 workers with it to Danbury, Connecticut.

In a recent letter to its employees, Carbide explained why it was moving:

"While we recognize that New York City does have many advantages, the long-term quality of life needs of our employees were the overriding factor in arriving at this conclusion," the letter declared.

Company officials said the reluctance of executives and middle managers to move here was based on a combination of fear of crime, high living costs, poor schools, high taxes and the rising cost of commuting from the suburbs.

Although company studies show the cost of operating the Connecticut headquarters will be approximately the same as the current one, an \$80,000-a-year executive will realize a \$5,873 annual tax saving because of the move.

Connecticut has been the principal beneficiary of the exodus from the city, and it now is challenging Chicago as the largest concentration of corporate offices after New York City.

Not counting the New York firms who have announced plans to move there, Connecticut has 27 of the Fortune 500 companies.

The biggest lure of Connecticut, beside its attractive suburban communities and relatively inexpensive industrial land, is its absence of a state income tax. Suburban Connecticut residents who commute to New York City now pay a city income tax on their earnings here, as do Westchester County commuters.

Texaco, the second largest oil company in the U.S., has announced it will move its 2,200 employees next year to a new office center in its building in Purchase, N.Y., in suburban Westchester County.

Texaco, which occupies 21 floors, is the Chrysler Building's largest tenant.

Also Texasgulf, a \$444 million natural resources firm headquartered in New York since 1918, is moving to southern Connecticut with its 135 employees.

Two major food companies, the General Host Corp. and Vita Food Products, have also decided to move to

Connecticut. General Host is on the Fortune 500 list.<sup>1</sup>

In addition to these changes, Mobil and St. Regis have also announced their plans to leave the city. Mobil will leave Manhattan for Fairfax, Virginia.

Thus, the exodus from New York is reaching mammoth proportions. And, many feel that this is only the beginning. It represents a strong market potential.

Three major U.S. corporations have also announced their intentions to move their headquarter operations to Atlanta in 1976. They include:

- (1) Continental Telephone
- (2) Amicor
- (3) Yardley of London

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<sup>1</sup>Morning Advocate, Baton Rouge, Louisiana, May 6, 1976.



### Regional and District Offices

The sources utilized for this chapter did not allow the separation of corporations according to business as in the earlier section. Instead, a random sample was made of the 2,600 corporations listed on the New York and American Stock Exchanges. They had 16,000 regional offices for an average of 6.2 per corporation.

As would be expected for regional and district offices of major corporations, their geographical dispersement was much more overt than the pattern of corporate headquarters.

For example, in 1975 there were 13 cities showing one percent or more of these divisional or regional headquarters, accounting for 35.5 percent of the total. Again, New York City was the dominant area for these locations, as reflected below:

<u>City</u>	<u>Percent of Total</u>
New York City	12%
Chicago	5
Los Angeles	3
Cleveland	2
Dallas	2
Minneapolis-St. Paul	2
Pittsburgh	2
Houston	2

Source: Exhibit II.

In Exhibit II, the major cities realized about 53 percent of the total number of offices. The strongest overall region was the Northeast, containing more than one out of every three offices.

# EXHIBIT II

## THE GEOGRAPHIC DISTRIBUTION OF DIVISIONAL AND SUBSIDIARY OFFICES FOR 2,600 MAJOR U.S. CORPORATIONS, 1975

<u>Area</u>	<u>Percent of Total</u>	<u>Area</u>	<u>Percent of Total</u>
Northeast:		West:	
New York City	12.1%	Los Angeles	2.8%
Pittsburgh	1.6	San Francisco	0.8
Boston	1.1	Phoenix	0.3
Philadelphia	0.8	Seattle	0.3
Other Major Cities	2.2	Oakland	0.3
Other	<u>19.6</u>	Denver	0.5
Total N.E.	37.4%	Portland	0.5
		Other Major Cities	0.9
East North Central:		Other	<u>7.9</u>
Chicago	4.5%	Total West	14.3%
Cleveland	1.7		
Detroit	0.8	South:	
Milwaukee	1.1	Dallas	2.2%
Cincinnati	1.2	Houston	2.3
Other Major Cities	1.4	Atlanta	1.6
Other	<u>10.4</u>	Miami	0.5
Total E.N.C.	21.2%	Tulsa	0.3
		Baltimore	0.9
West North Central:		Other Major Cities	6.4
St. Louis	1.1%	Other	<u>5.4</u>
Minneapolis-St. Paul	2.2	Total South	19.6%
Kansas City	0.5		
Other Major Cities	0.2	Canada:	
Other	<u>2.2</u>	Toronto	0.5%
Total W.N.C.	6.1%	Other	<u>0.8</u>
		Total Canada	1.2%
		Puerto Rico:	0.2%

Source: National Register Publishing Company, Directory of Corporate Affiliations, 1975.

Within each region the preference for a major city location varied. The percent of locations in major cities ranged within a region from 45 percent (in the West) to 72 percent (in the South). The total estimated distribution of regional offices for 1975 was:

The Distribution of Regional Offices  
By Region, 1975

<u>Region</u>	<u>Share</u>
Northeast	37%
East North Central	21
South	20
West	14
West North Central	6
Other	1

Source: Ibid.

It is of value to note that Atlanta, in spite of its reputation for attracting offices, as of 1975 had only 1.6 percent of the national regional office total. Only Houston and Dallas in the South reported any real impact in this field last year with each showing over two percent of the U.S. total, with Baltimore not far behind with one percent.

To gain a better understanding of the type of moves made by companies and the relative size of these moves a sample of the changes was made. This indicated a wide range of potential impact on their new locale from a 10,000 square foot leased office space demand for Stauffer Chemicals district office in Atlanta up to a \$21 million facility investment by American Express for their Southern Regional operations office in Plantation, Florida. These sampled new facilities are detailed in Exhibit III.



# EXHIBIT III

## A SAMPLE OF CORPORATE HEADQUARTERS AND DISTRICT OFFICE MOVES IN THE 1970's

<u>Date of Announce- ment</u>	<u>Company &amp; Facility</u>	<u>New Location</u>	<u>Size</u>	<u>Comment</u>
2/76	State Farm Insurance Co. Southeastern Regional Hdqtrs.	Jacksonville	250,000 sq. ft. \$7.5 million	Owned
8/75	U.S. Post Office and Mainten- ance Facility Regional Location	Miami	503,000 sq. ft. \$13.8 million	Leased
9/75	Richmond Corp. (Life Ins. Co. of Virginia) Headquarters	Richmond	105,000 sq. ft. \$4.0 million	Owned
7/75	Stauffer Chemical Co. District Office	Atlanta	10,000 sq. ft.	leased
4/76	National Life and Accident Insurance Company Addition to headquarters	Nashville	141,500 sq. ft. addition for \$6 million	Owned
1/75	SAFECO Insurance Co. Division Headquarters	Stone Mt., Georgia	110,000 sq. ft. \$3.5 million	Owned
6/75	Seaboard Coastline Division Office	Raleigh	24,000 sq. ft. \$2 million	Owned
1/74	Metropolitan Life Computer operations for the Southeast	Greenville	92,000 sq. ft. \$4 million	Owned
1/74	American Express Southern Regional Operation	Plantation, Florida	\$21 million	Owned
4/76	Catalytic, Inc. Regional Headquarters	Charlotte	125,000 sq. ft. \$4.5 million	Leased



## EXHIBIT III (continued)

<u>Date of Announce- ment</u>	<u>Company &amp; Facility</u>	<u>New Location</u>	<u>Size</u>	<u>Comment</u>
9/75	Western Geophysical Co. of America (Subsidiary of Litton Industries) Headquarters	Houston	300,000 sq. ft. \$7.8 million	Owned
10/75	Metropolitan Life Regional Headquarters	Johnstown, Pennsylvania	186,000 sq. ft. \$9 million	Leased
11/75	Pullman, Inc. Trailmobile Division Headquarters	Chicago	75,000 sq. ft.	Leased
9/75	General Service Administration Regional Office	Phoenix	90,000 sq. ft.	Leased
12/75	Allied Chemical Union Texas Petroleum Division Headquarters	Houston	160,000 sq. ft.	Leased
1/76	United Life & Accident Insurance Company Corporate Headquarters	Concord, N.H.	100,000 sq. ft. \$4.5 million	Leased
1/76	Litton Industries, Medical Economics Co. Subsidiary Headquarters	Oradell, N.J.	60,000 sq.ft.	Leased
3/76	R.J. Reynolds Industries Corporate Headquarters	Winston- Salem	500,000 sq. ft. \$2.5 million	Owned
7/75	IBM Division Headquarters	Atlanta	375,000 sq. ft.	N.A.
7/75	Metropolitan Life Regional Headquarters	Warwick, R.I.	370,800 sq. ft. \$14 million	Owned
7/75	Rapid American Corp. Corporate Headquarters	New York	101,300 sq. ft.	Leased
7/75	American Hospital Supply International Headquarters	Evanston, Ill.	125,000 sq. ft.	Leased

## EXHIBIT III (continued)

<u>Date of Announce- ment</u>	<u>Company &amp; Facility</u>	<u>New Location</u>	<u>Size</u>	<u>Comment</u>
7/75	General Services Administration Regional Office	San Diego	70,000 sq. ft.	Leased
6/75	Social Security Administration Regional Office	Richmond, California	569,000 sq. ft.	Leased
5/75	Walter E. Heller & Co. Regional Office	Miami	190,000 sq. ft.	Leased
5/75	Pullman, Inc. M.W. Kellogg Co. Division Headquarters	Hackensack, N.J.	100,000 sq. ft.	Leased
5/75	International Minerals and Chemicals Corp. Corporate Headquarters	Libertyville, Illinois	52,000 sq. ft.	Leased
5/75	Avdel Corp. Corporate Headquarters	Parsippany, N.J.	80,000 sq. ft.	Leased
1/75	Charles T. Main Regional Office	Charlotte	21,000 sq.ft.	Leased
1/75	West Point-Pepperell, Inc. Corporate Headquarters	New York	120,000 sq. ft.	Leased
1/75	National Can Corp. Corporate Headquarters	Chicago	110,000 sq. ft.	Leased
4/71	General Dynamics Corporate Headquarters	St. Louis	500,000 sq. ft.	Leased
9/72	Atlantic Richfield Corporate Headquarters	Los Angeles	400,000 sq. ft.	Leased
1/72	Greyhound Corp. Corporate Headquarters	Phoenix	325,000 sq. ft.	Leased

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Source: "National Real Estate Investor" and "Southeast Real Estate News,"  
various issues.

## LOCATIONAL REQUIREMENTS FOR NATIONAL AND REGIONAL OFFICES

Certainly an essential element of this study was to indicate what site and community characteristics are important to companies seeking corporate headquarters and/or regional office locations. A search of current literature revealed that little secondary data beyond vague and broad generalizations were available. Thus, it became not only necessary but also highly desirable to ask the potential corporate client directly. This was accomplished through a combination of personal interviews and a direct mail survey of corporate planning directors, both domestic and foreign.

The combination of a mail survey and selected personal interviews was chosen to provide a wide response to "key" questions (mail survey), yet obtain in-depth "across the desk" reactions from executives involved in office relocation. Experience has shown that the latter is essential for important and complicated fields such as this one. And, because of the different objectives of each approach, their results are discussed separately.

### Mail Survey Results

The particulars of this survey are detailed in Appendix A with the highlight of these results discussed on the following pages.

### Potential Movement by Domestic Corporations

As would be expected from the major companies questioned in the survey, there is a greater probability that a firm will relocate or open a regional administrative office rather than shift the locale of their existing national headquarters.

In all, approximately 32 percent of the respondents from among the 1,200 largest companies in the nation indicated that they are currently planning to move into a new area with a regional office. These moves are expected to be the results of either creation of new offices or relocation of existing functions. Moreover, an additional 14 percent may consider regional expansion during the next four years. Therefore, it could be inferred that almost one-half of all major national companies might open or relocate a new administrative facility in the next four years.



Assuming that the respondents to the surveys constituted a representative sampling of these 1,200 corporations, it appears that if 32 percent of these domestic corporations are planning (or might be planning) on expanding or relocating in the next four years and they open an indicated median of 1.49 new locations, then about 570 facilities should be realized. This figure is felt to represent a minimum due to the use of median rather than mean moves per company.<sup>1</sup> Moreover, this is felt to be conservative since 51 percent of the respondents indicated that they had "located a new or relocated an existing regional or district office in the last two years."

While some 87 percent of the respondents indicated they were not planning to move their corporate headquarters in the next four years, another nine percent were definitely planning on moving some or all of their administrative functions, and four percent were possibly going to make such a move. Assuming that the respondents to the survey represented a true picture of all 1,200 corporations solicited, then it appears that from 108 to 156 of the largest companies in the nation will be making complete or partial headquarter moves in the following four years.

#### Area of the Country Preference

Apparently, companies looking toward expanding or relocating feel that the South Atlantic<sup>2</sup> (which includes South Carolina) region of the nation would be one of the best locations for corporate administrative offices, followed by the Pacific region. While 80 percent of the firms indicated that they would consider the South Atlantic as a locational option, 58 percent were favorable toward the Pacific. More than one area was allowed to be selected.

The least attractive sections of the country as of early 1976 were the West North Central and Mountain states. The average respondent indicated that their company would probably consider four to five of the nation's nine regions.

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<sup>1</sup>This median measure was used due to inordinate high skewing by a handful of firms on the mean figure.

<sup>2</sup>Includes South Carolina, North Carolina, Georgia, Florida, Delaware, Maryland, D.C., Virginia and West Virginia.



Regions of the Country of Interest to Companies for  
National and Regional Offices as of April, 1976

<u>Region</u>	<u>Source</u>
New England	43.2%
Middle Atlantic	53.8
East North Central	53.8
West North Central	36.0
South Atlantic	79.7
East South Central	43.2
West South Central	50.4
Mountain	36.0
Pacific	57.6
Average Number of Responses	4.5

It is interesting to note that the South Atlantic region was much more favorably rated for regional offices (80 percent) than for national corporate offices (24 percent). This fact was also true for all other regions, as regional location alternatives were viewed much more narrowly for headquarter locations. Regardless of this attitude, however, the South Atlantic region ranks as the primary potential movement area in the nation.

Population Size Preferences

The "median size" population center seems to be the most attractive for regional offices, while national offices, as would be expected, are more inclined toward larger areas. About 40-43 percent of the companies surveyed felt that a metro region of between 250,000 and one million would be the most suitable area for their needs. Moreover, about 20 percent of both "regional and head-quarter" size preferences were shown in the 251,000-500,000 population range (in which all South Carolina metros are categorized), more than any other category for offices. The smaller areas of under 50,000 had the least interest of any category, as shown next.

The Most Desired Metro Area Population Size  
for National and Regional Administrative Offices

<u>Population Size</u>	<u>Regional Offices</u>	<u>National Offices</u>
Under 50,000	1.5%	5.9%
51,000-150,000	13.4	11.8
151,000-250,000	19.3	11.8
251,000-500,000	20.9	17.6
501,000-1,000,000	22.4	23.5
1,001,000-3,000,000	15.0	17.6
Over 3,000,000	7.5	11.8

Location Factors

It appears that there are basically three levels of locational factors as related to administrative offices. These could be classified as "very important," "important," and "limited importance." The initial category might be classified as almost "essential" in that the majority of national and regional offices seeking locations would not choose a locale that did not possess these assets. As would be expected, the rankings of certain factors were very similar for national and regional offices in some respects, but very divergent in others. Overall, however, all but two factors took on a greater weight of importance for headquarter facilities than district or regional administrative functions. In all, the corporate planning officers were questioned on the importance of 21 factors. The responses were then weighted and ranked. It appeared that four of the 21 factors were of exceptional importance for regional offices and seven for corporate headquarters.

For district moves and relocations, factors of above average significance revealed by participating companies were (in rank order):

- adequate highway system
- receptive state and local government
- adequate air transportation
- reasonable state and local tax levels
- adequate housing for executives
- good public school system
- reasonable non-executive wage levels
- good public support services
- good skilled labor supply
- economic stability and rapid growth of the city



- reasonable cost of living
- existing prime office space to lease
- good image of the city.

Factors of above average significance to corporations in their selection of national headquarter facilities were indicated to be:

- adequate air transportation
- adequate highway transportation
- receptive state and local government
- reasonable state and local tax levels
- adequate housing for executives
- good public school system
- good skilled labor supply
- reasonable non-executive wage levels
- cultural and entertainment levels of the city
- good image of the city.

Transportation Facilities. "Adequate" highways and air service were of considerable importance to virtually every company. "Adequate air service" ranked as the most important location criteria for national locations and third for regional's. The importance of an "adequate highway system" also rated very highly for both types of offices. For national locations corporate planning officers rated this factor second in importance behind air transportation and for regional facilities they ranked it as the single most important criteria.

Discussions with corporate planning officers and real estate executives verified the importance of these transportation factors. The emphasis put upon transportation seems to vary according to the function of the offices. That is, if a regional office is principally a sales center, then highway and air transportation is essential to getting the salesmen "out on the road" each Monday morning. But, if the operation were principally service-oriented (i.e., insurance adjusting, reservation handling), then transportation would not rate as highly.

Also, many manufacturers combine their district or regional offices with distribution facilities. Obviously, highways and, to a lesser extent, air service would be important to these corporations.

Thus, the adequacy of highways and air transportation would vary according to the assignment of a given office. But



overall, these items must be considered as prime locational criteria for either national or regional offices.

One other form of transportation - mass transit - was virtually insignificant as a factor to either district or corporate locations, ranking 20th and 21st, respectively, in the overall weightings.

It is also interesting to note that while both air and highway transportation ranked about equally in consideration for regional versus national administrative facilities, the weight or relative importance, given for headquarter locations relative to especially air transportation, was significantly higher.

Receptive State and Local Government. Both for national and regional offices, this factor was one of the top three criteria in overall importance. It is difficult to imagine that an area would ignore, much less work against, the opportunity to attract a regional facility much less a corporate location. An active pursuit by state and local officials for this form of economic development apparently could make a positive impression on appropriate corporate executives. This may not be the case as much for promotional efforts for national operations because the competition and sales efforts by cities such as Atlanta, Dallas, Houston, Denver, etc. could overshadow smaller cities. However, its impact could be significant for smaller cities aiming for district offices.

#### Cost Considerations

As would be expected, factors relating to cost considerations received above average weightings regardless of facility size or function. Moreover, the rank order of these factors (among 21 considered) was the same for each functional level:

<u>Cost Factor</u>	<u>Rank by Function</u>	
	<u>Regional</u>	<u>Headquarter</u>
Taxes	3rd	3rd
Wages	7th	9th
Cost of Living	11th	14th

The relatively high importance attached to taxes was not surprising since many offices are located in the central business

district or popular suburbs of a city, and taxes are a major consideration. This is especially true in areas of high property taxes (i.e., the Northeast).

It should be noted that the concern of offices seeking locations were slanted differently than that usually noted in the manufacturing sector. For example, a larger share of corporate national and regional offices are leased, and, therefore, they are not directly concerned with property taxes. Although they realize that higher taxes mean higher lease payments, everything else being equal, they look at rental rates for space...not taxes. This in reality translates more into a cost of living kind of consideration, although it may not be viewed as such.

Interestingly, for both regional and corporate offices, the presence of a good skilled labor supply was about equally important as the non-executive wage level these employees would have to be paid. Considering that a national headquartering operation would assuredly employ a much larger and more diverse staff, it was not surprising that in both the case of labor supply and wages these factors weighted much higher than they did for regional operations.

For regional offices, it appears that the firms not particularly interested in the availability of labor for their locations had principally a large number of rather small sales offices scattered throughout the nation. Thus, for these corporations at least the availability of large numbers of potential workers would be of limited interest. Apparently, they pay well for the relatively limited number of employees they demand and have had little trouble obtaining the needed people.

Contacts at the corporate level showed that while wages were of considerable interest, they were not, generally speaking, the most important factor. The reasoning seemed to be that regional and national offices included in their labor force a large share of executives or junior executives. The clerical staff salaries were viewed as a relatively moderate cost factor. Thus, while a reasonable wage level was important, it certainly does not appear to carry nearly the consideration as it would for a manufacturing operation.

Housing for Executives. In analyzing the survey response, it appears that the availability of good housing for executives plays an important role in considering locations for a national corporate facility or a regional office...in both cases it ranked fifth among 21 locational criteria. Although this factor was not weighted



as heavily for selecting a regional office locale, it did rate above average consideration.

It is felt that this is one area generally ignored by most economic development agencies since, generally speaking, the availability of housing plays a relatively minor role in plant location. And, since practically all economic development experience has been manufacturing oriented, the approach to other locational problems would be similar. This would mean placing housing in a minor position.

Public Services. Five of the locational factors the corporate offices were asked to evaluate related, at least in some respect, to what might be termed "public services." Overall, four of these five factors were considered to be above average in importance as locational influences. As already discussed, "receptive state and local government" was a key consideration of many respondents. Personal interviews with selected companies indicated that this factor was, in part, an expression of the importance of governmental services. This feeling was echoed by the fact that concern over the "public school system" and "public support services" (fire, police, etc.) rated as the sixth and seventh most important items for corporate headquarters and ranked sixth and eighth for regional administrative facilities.

Of about average importance to the site selection process was the "image of a city" which in part is felt to reflect the perception of public service. Certainly a city with a history of governmental services interruptions due to strikes would be damaged in its efforts to establish a "good image."

The only public related service which apparently is given token consideration at best is, as previously indicated, its mass transit system.

Office Facilities. Companies seeking to relocate their corporate headquarters placed heaviest emphasis on obtaining an "adequate site to build their own office building," while for regional facilities, existing rental space was more important. Neither type operation listed a "reputable developer that will build office building to their specifications and lease it to them" as even a moderately important criteria.

It was generally apparent that corporations seeking sites are either in a hurry (need existing space) or have considerable time



(to select a site and build their own)...but there is "not much" middle ground.

Modestly Important Factors. Of more modest importance in rating location potentials were:

- ...economic stability and rapid growth of the city
- ...cultural and entertainment levels of the city
- ...good business support services
- ...higher education facilities in the area

Little Interest Factors. Factors of apparently little weight in considering potential locations were:

- ...proximity to firm's other corporate facilities
- ...low level of unionization
- ...a build and "lease back" arrangement for office space with a builder
- ...mass transit system.

The low ranking of "proximity to other corporate facilities" was a shock. The little secondary sources available on the subject all mention the need for regional or national offices to be in "easy reach" of other corporate facilities. But, the companies themselves disagree.

In discussing this apparent contradiction with several corporate planning officers, their reasoning became clear. They felt that because of modern communication systems and air service it was not as necessary as it used to be for a regional or national office to be situated in the exact center of the area it served. For example, these executives indicated that City "X" may have below average air service. City "Y" is on the fringe of the region, but has the needed air service and in actuality it would take more time, manpower, and money to cover the market for City "X."

Also, it was pointed out that markets or territories or divisions change so rapidly that it would not make sense to base the bulk of a location decision upon proximity to other facilities. Large corporations are constantly altering their products, warehouses, management, etc. to such an extent that regional markets do not remain constant. They are dynamic.

In summary, the rank order and weighting (maximum point potential of 6.0) of location factors for each category of administrative offices is shown in Exhibit IV.

# EXHIBIT IV

## SURVEY RESPONSE RATINGS OF ADMINISTRATIVE OFFICES LOCATION FACTORS

<u>Factor</u>	<u>Corporate Headquarters</u>		<u>Regional Offices</u>	
	<u>Rank</u>	<u>Weight</u>	<u>Rank</u>	<u>Weight</u>
Adequate Air Transportation	1	5.37	3	3.12
Adequate Highway Transportation	2	4.31	1	3.25
Receptive State and Local Governments	3	4.00	2	3.13
Reasonable State and Local Tax Levels	3	4.00	3	3.12
Adequate Housing for Executives	5	3.80	5	2.91
Good Public School System	6	3.70	6	2.83
Good Public Support Services	7	3.58	8	2.67
Good Skilled Labor Supply	8	3.47	9	2.60
Reasonable Non-Executive Wage Level	9	3.41	7	2.79
Cultural and Entertainment Levels of the City	10	3.37	16	1.81
Good Image of the City	11	3.27	13	2.39
A Site for an Office Building	12	3.16	18	1.04
Good Support Business Services	12	3.16	14	2.19
Reasonable Cost of Living	14	3.05	11	2.47
Higher Education Facilities in the Area	14	3.05	15	2.00
Proximity to Corporation's Other Facilities	16	2.42	19	0.87
Low Level of Unionization	18	2.11	16	1.92
Economic Stability and Growth of the City	17	2.11	9	2.60
Reputable Developer to Build Office Build to Specifications and Lease Back	19	2.00	21	0.64
Existing Prime Office Space to Lease	20	1.90	12	2.41
Effective Mass Transit System	21	1.37	20	0.81
Average Response .....		3.17	.....	2.27

Source: Mail survey by Vismor, McGill and Bell, Inc.



### Corporate Opinions

There are several other factors that relate to the location of offices in which additional input from the respondents was felt to be valuable.

Moving and the Economy. There was a mixed bag of results when corporate planning offices were asked to evaluate the statement that "inflationary pressures will cause more corporate office moves, and not less, as companies vacate higher operating cost locations in large urban areas." Some 57 percent of the respondents showed general agreement with the statement; 29 percent disagreed; while about 14 percent had no opinion.

Rental Office Space. Since the availability of prime office space to lease was felt to be a highly important factor with respect to South Carolina metro areas, the respondents were again asked to rate the importance of this criteria. For the statement "one of the major locational factors for a corporate headquarters or district offices is the availability of sufficient prime office space to lease," approximately 56 percent agreed with the the statement, another 33 percent disagreed, while 11 percent had no opinion. This again supports the belief that this factor is a make or break situation for some firms [who want to move immediately] or of little interest to others [who have time to build their own facility].

Attraction Through Incentives. Most of those executives interviewed (70 percent) felt that "most state and local tax and other incentives are slanted toward attracting manufacturing facilities and not corporate offices." Only 10 percent disagreed while 20 percent had no opinion. Since many of the executives questioned were directly in touch with both office and manufacturing decision-making, it is felt that the respondents were very knowledgeable about incentive programs in both directions.

Development Agencies and the Corporate Move. To a certain extent, this apparent bias toward industrial economic development was reiterated in the rating of the statement that "generally, state and local economic development agencies are not familiar with the locational needs of corporate offices." Some 37 percent of the respondents agreed with this statement, while 30 percent disagreed and a surprisingly high 33 percent had "no opinion." This large "no opinion" response could indicate that either corporations do not receive input of this type from appropriate agencies or they do not seek such information (as they might for a manufacturing plant).



### Personal Interviews

As expected, the personal interviews with corporations that had recently relocated major offices or were anticipating such changes proved very beneficial. Initially, it was felt that these "across the desk" discussions would provide in-depth response support to the mail survey and they did just that...there were no conflicts in the findings of the personal interviews as compared to the survey, but the rewards in terms of a deeper understanding of the mail responses were significant.

Corporations interviewed included:

Mobil Corporation, New York  
Equitable Life, New York  
St. Regis Paper Co., New York  
Simmons Company, Atlanta  
General Cable Corp., Greenwich, Conn.  
Lone Star Corp., Greenwich, Conn.

While the general locational factors mentioned by these firms were basically the same, the emphasis placed upon specific items varied. For this reason, it was felt that the information obtained would be more useful if presented in a "discussion fashion" by firm as compared to a quantitative tabulation.

Mobil Corporation. The week before this contact was made, Mobil publicly announced that the corporation was moving its U.S. headquarters division from Manhattan to Fairfax, Virginia in the suburbs of Washington. The move will involve 850 people, and all employees will be given the opportunity to transfer.

One of the major executives involved in the site selection process was Mr. Rex Adams, Vice President for Employee Relations. An in-depth discussion with Mr. Adams resulted in the following items being listed as the primary motivating factors for Mobil's exodus from New York.

1. The Political/Financial Condition of New York City. It was stated that serious consideration was given to re-location only after the financial crisis of the city became apparent...when it was learned that New York was pragmatically "broke"...bankrupt.

2. Lack of Competent Clerical, Secretarial and Other Support Personnel. According to the Mobil spokesman, the educational, skill and training levels of the support personnel needed to operate a major corporate headquarters has steadily declined in New York. And, it has reached such a low level now that efficiency and overall office productivity are overtly effected. Mobil has prepared their own continuing study of this phenomenon and reported that the decrease has been steady and obvious.
3. The Unattractiveness of New York to Young Executives and Other Personnel Within and Without the Company Organization. Mr. Adams felt that this was a major sore point for all the large companies in Manhattan. There is a strong and growing resistance by young, bright executive and support people towards living and working in New York. And, this negative attitude not only permeates the company itself, but it is reflected by recent college graduates contacted through Mobil's recruiting program.

In fact, an in-house study showed that 66 percent of Mobil's personnel at all levels indicated they would not work in New York. This was very shocking to them and was a prime motivator for the move.

4. Cost of Living and Taxes. The overall expense of operating and living in the area was emphasized by the company official as another principal consideration in their exodus decision. Mr. Adams stated that the personal cost of living savings in the cities examined over New York ranged from 12 percent to 25 percent.

In addition to the extremely high property taxes, the employees at Mobil pay a federal, state and local income tax, plus eight percent sales tax. The corporate taxes are proportionately high.

The preceding subjects created the atmosphere for change... the mood. But, as is true with most major decisions, this one was postponed and studied for several months. And, additional research and observation brought to light several more factors that combined with the above led the corporation to make this site selection and announce the relocation. The additional considerations were:



1. The Immediate Environment Surrounding the Office.

The physical area surrounding Mobil's corporate headquarters at 150 East 42nd Street was slowly, but obviously, becoming unattractive in the form of empty and unkept buildings (the large Commodore Hotel has recently closed across the street) and litter and trash. But, more important to the company was the constant high profile of prostitutes in the area...in fact, in front of their building.

Mobil feels that they are a sophisticated multi-national company with a strong, positive image. They have a constant flow of visitors from all over the world and their home office environment in New York does not reflect the kind of image they desire.

2. Low Productivity. The earlier discussed lack of good support help in New York obviously translates into low productivity for that group. But, overall low productivity exists in New York...especially for the executives. Most of the officials commute between two and three hours daily. And, generally few, if any, people work after 5:30...after getting to work between 9:00 and 9:30. Most executives leave between 4:15 and 4:30. Mr. Adams, who has been with Mobil for many years, said that prior to coming to New York he never quit work before 7:00. The relatively short work day...interrupted often with one and one-half to two hour lunches...has caused his productivity to drop measurably.

3. Equal Employment Opportunity Demands. While the company apparently has a solid plan to employ a sizeable proportion of minorities and women throughout their workforce, they are constantly examined, analyzed and audited by various agencies...especially at the city level. Their demands (especially the city's) have...in Mobil's viewpoint...become unrealistic, unclear and ever-changing. The results have been confusion, lost time and money, and constant harrassment.

With these and other negative forces at work, Mobil hired the consulting firm Fantus to find a relocation site based upon the company's criteria. These criteria included:

1. Strong Air Transportation. Since Mobil is a multi-national corporation with over 11,000 of its staff flying on the



average working day, immediate accessibility to an international airport was absolutely essential.

2. Positive Liveability. It was Mobil's objective to select a location that gave each employee a variety of living style opportunities plus a cost of living savings. They felt that such considerations would be needed to not only motivate their personnel to move, but also to recruit new staff members in the future.
3. Lower Operating Costs. While a more efficient and inexpensive location was alluded to several times during conversation with Mr. Adams, it was never stated as an objective. Yet, it was obvious that this was a strong factor. The most often mentioned consideration in this area was wages. The final site selected... Fairfax, Virginia...has wage levels about 12 percent under New York. While other areas under consideration for the new headquarters had even lower salary levels, other factors were considered more important in the overall evaluation.
4. Cultural Amenities. Mobil's executive staff, according to Mr. Adams, demanded a rather broad and sophisticated cultural base. The company has personnel from all over the world with a variety of educational and cultural backgrounds. These demands needed to be met.
5. Adequate Support Services. The company, by its sheer size and sophisticated makeup, demands a wide variety of support business services that could only be supplied by a large metropolitan area. These services (computer, communications, accounting, etc.), for example, would not be available in the quantity and quality needed in metro areas under one million population.

With these guidelines, Fantus choose six metro areas for Mobil's "selection team" to examine. These were:

Atlanta  
Chicago  
Houston  
Dallas  
Washington  
St. Louis

The "team", which included Mr. Adams, eliminated both Houston and Dallas because they did not want to be placed in an "oil town" atmosphere where they would daily discuss industry and world problems with company officials that had similar backgrounds, interests, and biases. They wanted to be out in the "real world" where they could obtain feedback from companies and people with diverse and often controversial views.

Chicago and St. Louis were dropped as probable sites because Mobil felt that many of the problems they were leaving in New York were prevalent or becoming prevalent in these urban areas...especially Chicago. This left Atlanta and Metro Washington.

The latter (Fairfax, Virginia) was chosen for a variety of reasons, according to Mr. Adams. These included:

1. Availability of Productive Labor at a Reasonable Wage Level. The site selected in Virginia on the beltway that surrounds Washington means that Mobil's offices will be 15 to 20 minutes closer to a large support labor pool that now is employed by the federal government in downtown D.C. Mr. Adams feels they can intercept this commuting group and attract them at the same wage level...which would be 12 percent under what they are paying now. The major attracting factors to this labor pool will be, according to Mobil, free parking (D.C. parking is \$70 per month now) and a one-half hour to one hour savings in commuting time.
2. Close Proximity to the Federal Government. Mobil feels that their equal opportunity employment plan is excellent...better than the federal government itself. So, they plan to use the adjacent federal government as a comparison when and if they are challenged by any agency associated with equal employment opportunities for minorities and women.

Also, their Washington location will allow them to follow legislation affecting the oil industry and give them quick accessibility to "appropriate officials."

3. Cultural Opportunities. It was believed that the Washington area offered a strong variety of cultural amenities so needed for a Mobil location.
4. A Variety of Living Alternatives. The needs and desires



of the personnel seemed to be high on the priority list for a new location for the company. That was one of the reasons the Fairfax site was chosen. Within easy commuting distance of the tract, a person would have the choice of living in the country, the suburbs, downtown, in small towns, or on the coast. And, the milder weather and recreational opportunities are varied and attractive.

In addition, the cost of living will be lower in the Washington area than in New York...another personnel oriented benefit.

That was basically the Mobil story as told by Mr. Rex Adams. It was interesting to note that the Governor's Office of Virginia worked very closely with Mobil. And, while the Virginia Department of Commerce and Industry was active in the project, they apparently took a "back seat" to the Governor's Office. The latter assigned one man to work exclusively with Mobil during the life of the move.

Equitable Life Insurance Company. The Equitable story is quite different from Mobil's. Equitable is not vacating New York. They are selecting five new sites for regional offices that will serve their local locations...over 100 throughout the U.S. The facilities will absorb many of the services now offered locally into a regional operation (especially data processing) and also attract some of the headquarter functions to the regional level (although the bulk of the new offices' work will be absorbed from local facilities).

One regional operation is now functional in Sante Fe, California. Sites for the remaining four have yet to be decided. One will definitely be in the Southeast; and tentative contact has already been made with Greenville concerning this facility. But, serious study of the Southeastern office has not begun, according to Mr. Larry Siler, Assistant Vice President of Corporate Management.

A typical facility, as envisioned by Equitable, would service more than 500,000 policyowners in 8-13 state areas and will act as the central service point for the 1,200 - 1,500 agents in that region. At each location they anticipate an initial staff of about 250 people, but within two years after installation, the operations will probably be enlarged and an additional 100 to 200 people added.



Equitable's space requirement for each facility is approximately 45-50,000 square feet in a first class office building. Mr. Siler indicated that they preferred to lease space in an existing building, which may be a large building, office complex, or single occupancy structure, depending upon what is available.

For the selection of a community and site, the major requirements they mentioned were:

1. Geographical Location. Equitable wants each Regional Service Center to be located where their business is concentrated within each region.
2. Potential Cost. Any location chosen must afford the opportunity to minimize operating cost - both personnel and general expenses. With this in mind, Equitable ruled out large urban centers such as Los Angeles, Chicago and New York City, which, based upon past experiences, require higher salaries and higher costs for space and services.
3. Area Attractiveness. It is extremely important to Equitable to have a cadre of experienced employees. Therefore, in the process of reorganization, some present personnel will be relocated to the new sites. Mr. Siler indicated the firm anticipates the transfer of about 90 employees to each new facility in the initial stage and a smaller number in later stages. They want to select areas which afford adequate and reasonable priced housing of all types, including apartments. Also, transferees will desire good schools for their dependents, reasonable property taxes, adequate municipal services and attractive cultural/recreational facilities, according to Equitable's spokesman.

The company wishes to avoid areas with unusual problems such as high crime rate, poor weather conditions, government instability, poor road systems, and unusual affluence. In summary, any extreme conditions will detract from an area's desirability.

4. Population Mix. The Equitable is an Equal Opportunity Employer. And, they will seek locations offering labor populations with reasonable distribution as to age, sex, race, etc. In hiring approximately 200-300 people over

the next three to four years at each new location, they wish to reaffirm and maintain their current corporate hiring policy.

5. Availability of Labor. With each initial operation requiring a complement of about 250, and with 90 transferees, the corporation will need to hire 150 or more at each new location. The jobs range from simple clerical work to advanced technical and semi-professional jobs such as underwriting, accounting, and claims payment. Most of their procedures are supported by sophisticated computer facilities requiring employees with reasonable mathematical/logic skills. To establish and maintain a reasonably large "white collar" operation, Equitable will be looking probably in areas with population of at least 150,000. They, according to Mr. Siler, wish to avoid areas with a transient labor force, i.e., where the young people are moving away to seek jobs. And, while they recognize that Equitable could be a factor in stabilizing the situation, such an existing environment would detract from an area's desirability.
6. Competition. Equitable probably would be nice to be the largest "white collar" employer in an area and thus possibly dictate the work/cost standard, but they do not require or expect this. Equitable, however, wants to avoid "strenuous" competition for the same segment of the labor market.
7. Labor Attitude. Mr. Siler stated that their main interest is employee productivity and motivation. They will definitely want to know and consider the turnover rate of comparable employers, the absentee rate, average work week and the influence of unions within the area.
8. Employment Sources. Since many of Equitable's new hires in the future will be at the "beginner" level, the company wants to look to the local high schools, junior colleges and colleges in the area in terms of supplying trainable employees. While they have their own training programs, they must be able to bring in employees with a foundation of good basic skills.
9. Communications. The company depends heavily on computer support in their operations, and data transmission



facilities to meet their requirements are highly important. The firm insists on areas serviced by major suppliers of voice and data communications and prefers immediate access to American Telephone and Telegraph Corporation controlled facilities.

10. Power. Although Equitable believes that most areas will have adequate power supply since their equipment, being typical office terminals, has minimal requirements. The price of such power will have some influence on the sites selected.
11. Vendor Support. The prompt availability of vendor support, particularly in computer services, is essential.
12. Postal Facilities. In each region, the firm will be receiving mail from and sending mail to customers and agents living in relatively large geographical areas. Also, they have considerable dependence on mail from their New York City headquarters. Mail service is a critical item and it is, therefore, essential for Equitable to be located near a Postal Sectional Service Center offering "express bag service."
13. General Services. Mr. Siler said they have the obvious need, as does any business, for reasonable access to banking, restaurant, shopping, and professional service facilities. The availability of public transportation to the work sites must be considered, not only for the convenience of employees but to minimize the need for automobile parking space.

While there may be other points brought into the evaluation of areas, according to Larry Siler, those expressed above should be considered the prime factors. Equitable expects to evaluate the merits of several locations prior to making final choices, but time is also a consideration, and little would be gained by over-extending the survey or by visiting obviously unacceptable areas.

The above might be classified as the "official" company position of the regionalization process. Mr. Siler added a few personal objectives that seemed to be of value. For example, he felt that Equitable's operations, while sounding a lot like Metropolitan Life's complex in Greenville, will be more sophisticated and complicated, thereby requiring more sophisticated and complicated support service.



Also, he stressed the importance of good mail service. Lost or delayed premiums can mean hundreds of thousands of dollars to the firm in not only uncollected premiums but lost interest time. Mr. Siler also indicated that while unions have not been a large problem in their industry, Equitable would probably prefer a "right to work" state, all other things being equal.

When asked to name, in his opinion, the major considerations in their site selection process, Mr. Siler said:

1. Cost of operation
2. Mail service and other communications
3. Support services.

Also, the Southeast will probably be the next regional office considered, according to Mr. Siler. And, they will be "in touch" with South Carolina.

St. Regis. During May, 1976, St. Regis Paper Company announced that they "might" move their headquarters from Manhattan. The project is under study. Although no site was mentioned, it is rumored that their number one choice is Fairfield County, Connecticut.

In a discussion with Mr. R. E. Milkey, Vice President of Corporate Planning, the following situations were enumerated as reasons for considering relocation.

1. Economic Condition of New York City. St. Regis, like Mobil, is deeply concerned about the city's financial condition and how that effects future taxes and present and future services.
2. Declining Educational and Skill Levels of Support Personnel. Like Mobil, St. Regis indicated they had noticed a marked drop in the caliber of support personnel working in their office. In recent months this decline has been more pronounced.
3. Inability to Attract "Top Flight" Executives to New York. The unattractiveness of the city, according to Mr. Milkey, has hampered their efforts to attract high quality personnel to St. Regis. Again, like Mobil, this reluctance to move to New York came from not only new recruits, but internal personnel also.

4. Low Productivity. St. Regis felt that productivity had been and was continuing to decline for executives and support personnel. Mr. Milkey indicated that the average work week now was 35 hours with less than 75 percent of that time productive.
5. Low Level of Business Support Services. The complaints here were principally in the areas of maintenance and repair. As an example, Mr. Milkey said that building maintenance tasks took twice as long as they should and now cost twice as much as they should.

It was emphasized that St. Regis had not definitely decided to move its 400 man operation out of Manhattan...although all indications point to such action. And, a site had not been chosen. So, St. Regis should be considered a prospect for relocation.

Mr. Milkey said that St. Regis had recently opened a divisional computer operation in Dallas. The only other city considered for the facility was Atlanta. The most important subjects for this office were:

- ...a strong core of computer services and trained personnel;
- ...good communications;
- ...good air transportation.

Dallas was picked over Atlanta because St. Regis already had several major functions in the city, including many computer operations, which were consolidated.

Simmons Company. The Simmons Company moved out of Manhattan to the suburbs of Atlanta in 1975 and this relocation is a unique story. The new environmentally meshed headquarters building is situated on 70 acres of land on the Chattahoochie River, 26 miles from the central business district of Atlanta. The building touches the ground in only four places, supported by 24 pairs of concrete piers, anchored 75 feet into the ground. Steel trusses rest on the piers and the wooden building rests in these cradles.

In early May, 1976, Mr. Robert Moore, Vice President, was visited and he outlined in detail the Simmons move. Mr. Moore, a native of Atlanta, was "in charge" of the relocation and



was obviously pleased with the transfer and the "new attitude" precipitated by the move.

Mr. Moore said that Simmons had for years observed the departure of one big company after another to the suburbs of New York City. And from time to time someone, usually facetiously, would suggest that they follow suit. These suggestions bred over a period of years a set of cliché negative responses which became a crutch used by all the top officers.

The actual decision to leave New York was triggered by a chance discussion with Mr. Grant Simmons, then President, and another corporate executives. They were on a trip together and had just finished quoting the familiar litany of reasons why Simmons could not move from New York City when Mr. Simmons' associate in a couple of sentences convinced him that for a long time he had not really been thinking about the subject at all, but merely repeating the time-honored cant.

The decision to seek a place outside of New York City followed very swiftly thereafter, according to Mr. Moore.

One facet of the next step was relatively easy. The company decided early on that they would not move to a suburb of New York City. First of all, many big corporations had already moved to the New York suburbs and created there a very tight labor market for clerical and secretarial workers. But, an even more important reason had to do with the fact that half of Simmons executive staff lived north of the Hudson River in Westchester, Connecticut, and Long Island, and the other half lived south of the Hudson in New Jersey. No matter where they located in the periphery of New York City they would have magnified for at least one half of their staff the very commuting problems which were a prime factor in the decision to move.

In seeking a new location, the company felt that they would need major banking facilities, first-class global telephone and mail service, and an international airport. Other basics included first-class medical and educational facilities. Mr. Grant Simmons stated, "I don't think we ever could seriously have considered for our headquarters any city of less than about a million population because in addition to the obvious facilities, the spectrum of housing, country club, and cultural facilities would have to be too limited in any smaller community."



On a theoretical basis, Sommons rather quickly discarded the two or three possible sites on the Pacific Coast as being too remote, particularly in terms of their market concentrations and products. Simmons also considered places such as Chicago, St. Louis, and Memphis, but they were discarded because Mr. Grant Simmons was not personally willing to work in the Midwest.

This narrowed their choices to the Eastern Seaboard. They felt that Boston, Philadelphia, and Washington all had in abundance the very negatives which prompted Simmons' desire to move in the first place. Furthermore, their suburbs were also already somewhat populated by the headquarters of large corporations. Richmond was too small and Miami too inaccessible and too tropical. They believe deeply in the importance of a change of season.

Also, a tremendous proportion of the nation's furniture, floor coverings, and textiles are manufactured in the Southeast. Atlanta was not only the hub of the Southeast, it also had a minimum of the characteristics that make New York unattractive to the company. Indeed, Simmons focused very swiftly on Atlanta, and the more they looked, the better they liked what they found.

The decision to move to Atlanta had other dimensions and concomitant reasons which were part of and in addition to the move decision itself. Simmons had in mind more than a mere improvement of their working conditions.

First, they retired on the same day a president, both executive vice-presidents, two more vice-presidents, and a controller. This management change was carefully planned and orchestrated. All of these men were at or past retirement age or had had heart attacks and could not logically be asked to move. Part of the reason for such a massive change on one day was to make it possible for their successors, coming as they did from other parts of the country, to make only one move - naturally, to Atlanta - thus avoiding several unnaturally brief and expensive tenures in New York City.

Secondly, the corporation, according to Mr. Moore and Mr. Grant Simmons, needed at their new Atlanta headquarters to incorporate a number of activities which were not, but should long since have been, brought together as part of top management. These activities were their national purchasing organization, national human resources management, international management, and their national systems and data processing group. These had been located in other parts of New York City, northern New Jersey. And, the national systems department had grown up in the Midwest.

Next, Simmons was early convinced that if they moved from the urban stresses of New York City they could best improve their executive productivity and efficiency if they moved to a quiet, rural, hopefully sylvan, atmosphere. Traffic congestion was one of the few negatives Atlanta shares with New York City. Thus, they decided early on not to locate in downtown Atlanta.

Simmons made the decision to move to Atlanta (if they could find an attractive site) in early 1971. Later that year they hired a man to help in their search for property. After locating the 70 acres, Simmons went through a detailed, well planned zoning hearing and was accepted by the local politicians and residents (they're located in an area with \$100,000 and up homes).

The entire experience of Simmons was appropriately summarized by the Chairman of the Board's statement to the Atlanta Chapter of the Financial Executives Institute:

"In retrospect, the choice of Atlanta was clearly easy. Atlanta is very truly a 'can do' city. It is also by far the most beautiful and attractive big city on the East Coast. I can assure you that, like all new converts, your newest Simmons neighbors are the most enthusiastic and evangelical Atlantans you'll find anywhere. There is a marvelous willingness of the leadership in this community to stand up and wrestle with its challenges. We all think Atlanta is absolutely great!"

Mr. Moore listed a few benefits that have been obvious since their move to Atlanta; and they included:

- ...an increase in productivity of between two and two and one-half hours per day per man.
- ...an effective income increase per man of 20 percent to 25 percent.
- ...an increase in the decision-making pace of about four-fold.
- ...an overt increase in positive attitudes.

Mr. Moore also revealed some of his personal reasons why Simmons chose Atlanta. And, while they may be somewhat



redundant, they do have significance and are listed below.

Major Reasons Why Simmons Chose Atlanta  
(Not in order of Priority)

1. Physically attractive city.
2. Mild, pleasant climate.
3. Growing, vibrant business center, particularly banking, distribution.
4. Mountains, seashore, lakes -- all relatively close by.
5. Southern culture center - art, music, theater, etc.
6. Benefit of college influence, particularly medicine (Emory), Engineering (Georgia Technical Institute).
7. Also athletics - all major pro teams.
8. Excellent domestic transportation. Good connections for international travel.
9. Excellent meeting facilities and accommodations.
10. Number of excellent private clubs.
11. Favorable personal tax situation.
12. Increasingly diversified population from all parts of country - not closed society of old.
13. No commuting (New York type).
14. Individual could choose city, suburban, or country living without paying dearly.
15. In most cases, city is attractive, plus when attempting to get top people.
16. To be more productive.



Incidentally, Simmons did a tremendously detailed and carefully planned move that started 18 months prior to the physical change. And, this impressive program paid off in that only two junior level executives refused to leave New York out of a total of more than 55 executives.

General Cable Corporation and Lone Star Corporation. These two large firms vacated New York during the early seventies for Greenwich, Connecticut. Conversations with Mr. F. E. Purcell, Vice President of Corporate Affairs of Lone Star, and Keith Davis, Vice President of General Cable, were slanted more towards "why they moved to Connecticut" as opposed to "why they left New York." It was felt that the latter question had been accurately dimensioned while the former had not. Underlying the question about Connecticut was a feeling that possibly these companies, as Simmons Corporation believed, had "jumped out of the frying pan into the fire."

But, at least based upon these discussions, this was not the case. Both firms stated that they felt:

- ...the banking and communication networks in New York were essential to their operations.
- ...most executives lived in close proximity to Greenwich, which meant that few had to relocate. They both indicated that they were "perfectly happy" and believed that Connecticut was a good "compromise" move.

Mr. Davis, of General Cable Corporation, although not directly questioned about the subject, volunteered information about their move from Manhattan. He stated that New York's taxes had gotten completely out of control -- business-wise and personally.

This, coupled with the fact that they had no reasons to be located in Manhattan, spurred their move. The few subjects that were New York oriented -- like finances and major customers -- could be handled without difficulty from Greenwich. So, they obtained better living conditions and lower operating costs without mass executive movement (and accompanying losses) while still being conveniently located to financial resources and prime customers. According to Mr. Davis, an "ideal" situation.

## Foreign Corporations

As indicated in the preface section to this chapter, the attitudes of foreign corporations toward opening or relocating U.S. offices was also a topic to be "measured." The survey response, however, was below minimally acceptable sample standards and a number of these questionnaires which were returned were incomplete. For those responses that were received, only limited interest, at best, was indicated in establishing U.S. administrative functions. It might be inferred from these results and past experience in industrial development that administrative functions would most likely be attached to manufacturing operations and not be "freestanding" facilities.

Furthermore, international travel requirements could apparently hamper South Carolina's effort to attract a purely major office facility.

## THE COMPETITIVENESS OF SOUTH CAROLINA METROPOLITAN AREAS IN ATTRACTING ADMINISTRATIVE OFFICES

The preceding chapter dimensioned what factors were important to companies seeking new administrative office locations or relocations. This section examines the competitiveness, strengths and weaknesses of the state's metro areas relative to these important factors.

Subjects that lend themselves to some meaningful degree of quantitative comparison are discussed separately, while others of significance are mentioned in more general terms in the text following these topics. Specific areas chosen for comparison are:

- ...highway transportation
- ...scheduled airline passenger service
- ...taxes
- ...housing for executives
- ...public school system
- ...public support services
- ...labor force and wages
- ...building costs
- ...office space
- ...cost of living.

Each of these elements is discussed in detail on the following pages with background and supplemental information data sources, and methodology provided in Appendices B, C, and D.



### Highway Transportation

South Carolina, for a state of its population size, is fortunate in having five interstate highways (I-85, I-95, I-26, I-20, I-77). Columbia has benefitted the most from this system with five separate interstate radials, while Charleston is served directly by only I-26. While comparative conclusions are difficult to draw from these type data, it does appear that South Carolina, in general, should be considered at least average with its interstate and freeway system. On an urban area basis, Columbia, Spartanburg and even Greenville can also be classified as average with its regional highway access, while Charleston obviously demonstrates relative weakness in this factor.

#### Interstate and Freeway Radials Existing and Under Construction for Selected Cities, 1976

<u>City</u>	<u>Number of Radials</u>
Columbia	5
Charleston	1
Spartanburg	4
Greenville	3
Atlanta	6
Augusta	2
Savannah	3
Charlotte	4
Greensboro	4
Raleigh	2
New York	6
White Plains	6
Pittsburgh	6
Chicago	8
Cleveland	6
Hartford	5
Denver	5
Houston	4
Jacksonville	3
Los Angeles	4
St. Louis	6

### Scheduled Airline Passenger Service

Among all the locational criteria set forth for administrative offices, major urban areas of South Carolina are probably as weak in the airline passenger services factor as in any of the other considerations.

The real key to scheduled service from any of the state's air facilities is the connecting service available to Atlanta and, to a lesser extent, Charlotte. These two cities provide principal air access to other urban areas both regionally and nationally. While the Columbia, Greenville-Spartanburg, and Charleston facilities each have one non-stop daily flight to Washington, D.C. and New York, only Columbia has direct service to Chicago (and only one daily). Moreover, direct service to other major cities is very limited.

Some improvement in air service has been noted over the past several years for each of these airports with increased flight frequency to Atlanta and Charlotte; but little other improvement has been noted.

Air service frequency is examined on the following Exhibit V for selected urban areas nationally, followed by a general classification of each of these facilities based on their level of service in Exhibit VI.

## EXHIBIT V

NON-STOP AIR PASSENGER SERVICE COMPARISONS  
FOR SELECTED AREAS, 1976

<u>City</u>	<u>Major Connecting Points (Daily Flights)</u>	<u>Other Metro Areas Served With Non-Stop Flights</u>
Columbia	Atlanta (8) Charlotte (4)	6
Greenville-Spartanburg	Atlanta (7) Charlotte (8)	5
Charleston	Atlanta (5) Charlotte (4)	8
Atlanta	--	68
Augusta	Atlanta (11)	4
Savannah	Atlanta (6)	3
Charlotte	--	27
Greensboro	New York (5) Atlanta (4) Chicago (4)	9
Raleigh	Atlanta (6) Charlotte (6) New York (6)	12
New York	--	67
Pittsburgh	--	44
Chicago	--	89
Cleveland	--	42
White Plains	Boston (6) New York (4)	6
Hartford	New York (14) Chicago (9) Boston (10)	17
Denver	--	38
Houston	--	24
Jacksonville	Atlanta (15)	17
Los Angeles	--	41
St. Louis	--	40

Source: Reuben H. Donnelley Publications, Official Airline Guide,  
North American Edition, January 15, 1976.



EXHIBIT VI

GENERAL RATINGS OF PASSENGER AIR SERVICE  
FROM SELECTED URBAN AREAS , 1976

Service  
Level

- A. Strong Service to All Major Cities and Strong Regional Intermediate Air Service

Chicago  
Atlanta  
New York

- B. Strong Service to All Major Cities and Moderate Regional Intermediate Air Service

Pittsburgh  
Cleveland  
Los Angeles  
St. Louis  
Denver

- C. Moderate Service to Major Cities and Strong Regional Intermediate Air Service

Charlotte  
Houston  
Hartford

- D. Moderate Service to Major Cities and Regional Intermediate Cities

Greensboro  
Raleigh  
Jacksonville

- E. Limited Service to Major Cities and Moderate Regional Intermediate Service

Charleston  
Columbia  
Greenville-Spartanburg  
White Plains  
Augusta  
Savannah

Source: Vismor, McGill and Bell, Inc., based on Exhibit V.

## Taxes

Major Sources. The use and application of taxation policy varies, of course, from state to state and, to a lesser degree, for cities within a given state. Moreover, while all taxes either directly or indirectly affect an administrative office function and/or the personnel of that facility, all taxes are not significant in the location picture. Consequently, while a side-by-side comparison of all taxes is instructive, a composite evaluation of all taxes is highly complex. The analytical approach chosen to evaluate taxes first examines the basic philosophy of taxation on a state (and local) basis, then discusses this philosophy in the context of administrative offices and specific costs to their operation and/or their personnel.

South Carolina obtains almost 80 percent of its state tax revenue from three sources:

...Sales and Use Tax	(35.1%)
...Income Tax	(30.2%)
...Gasoline Tax	(14.2%)

For the thirteen states analyzed in this comparison these three taxes represented the primary tax revenue sources for:

Georgia	(82%)
North Carolina	(75%)
Pennsylvania	(71%)
Illinois	(75%)
Ohio	(67%)
Connecticut	(67%)
Colorado	(80%)
California	(79%)
Missouri	(79%)

The three states not falling into this categorization were:

New York - the state's income tax revenue was one of the most dominant taxes in any state analyzed, providing some 41.3 percent of tax revenue with sales and use tax adding another 22 percent. Gasoline taxes, however, accounted for only six percent with the corporate franchise tax responsible for almost 10 percent of tax revenue.

Texas - while sales and use tax revenue was responsible for 34 percent of total collections and the gasoline

Texas (cont.) - tax added 12 percent, there is no state income tax. The support from this source was replaced by a "severance tax" (mostly on oil and gas) and motor vehicle registration and use taxes.

Florida - Florida gained a large share of its tax revenue from the "sale and use" taxes (43 percent) and 13 percent from gasoline tax, the absence of a personal income tax resulted in a less than seven percent contribution from corporate income taxes. Above average revenue contributions from the alcohol beverage, motor vehicle, tobacco, stock and realty transfer, and state property tax offset this absence of personal income tax revenue.

Sales and Use Tax. This form of levy was the leading tax revenue source for South Carolina and seven of the other 12 states compared. In the five states where it was not the leading money source, it rated as the second most important levy. While the impact of this tax is felt to be limited for an administrative office function, its importance will vary according to the level of purchased supplies and will have a minimal effect on the local cost of living. The sales tax rates of South Carolina's neighbors is one percent lower, but the impact of this variance is felt to be negligible.

<u>State</u>	<u>Sales Tax Rate</u>
South Carolina	4%
Georgia	3%
North Carolina	3%
New York	4%
Pennsylvania	6%
Illinois	4%
Ohio	4%
Connecticut	7%
Colorado	3%
Texas	4%
Florida	4%
California	4.75%
Missouri	3%

Source: Commerce Clearing House, Inc.  
State Tax Handbook, October, 1975.



Personal and Corporate Income Tax. These revenues represent the second largest tax source for South Carolina. Among the 12 other compared states, these sources ranked first in five (North Carolina, New York, Pennsylvania, Colorado and California), second in six. A smaller contribution in Florida was noted due to the absence of a personal income tax, with no revenue from these sources noted for Texas.

In considering the corporate income tax rate it should be noted that several states employ other means of corporate taxation that increase this levy burden. This is especially true for New York (a franchise tax); Ohio (corporate organization tax) and Texas (a franchise tax).

While rates of corporate income tax vary considerably between states, as does the franchise tax and corporate organization tax, these levies are generally apportioned to the amount of intrastate business conducted. Therefore, regardless of whether a corporation's regional or national office is situated within a given state, the tax is applied consistent with total business allocated to that state. Conceivably, then, office location may have little, if any, effect on a corporation's tax burden.

These corporate tax rates are detailed in the following table.

Corporate Taxes Rates for Selected States, 1975

<u>State</u>	<u>Corporate Income Tax</u>	<u>Franchise Tax</u>	<u>Corporate Organization Tax</u>
South Carolina	6%	minimal	minimal
Georgia	6%	minimal	minimal
North Carolina	6%	0.15% <sup>1</sup>	minimal
New York	9%	**	minimal
Pennsylvania	9.5%	0.1% <sup>1</sup>	minimal
Illinois	4%	minimal	minimal
Ohio	-	4% (1st \$25,000) <sup>1</sup> 8% (over \$25,000)	sliding scale
Connecticut	10%	minimal	minimal
Colorado	5%	minimal	minimal
Texas	-	0.4% <sup>1</sup>	minimal
Florida	5%	minimal	minimal
California	9%	*	minimal
Missouri	5%	0.05% <sup>1</sup>	minimal

<sup>1</sup>Rate applied to stated capital, surplus and undivided profits.

\*Included in income tax.

\*\*Rate same as income tax with only one of the two taxes applicable to any one business.

Source: Ibid.

State personal income tax levels in South Carolina are surprisingly high when compared to other states. For the 12 other states analyzed, South Carolina's personal income tax levy exceeded nine of those and were well above those noted for Pennsylvania, Illinois, Ohio and Missouri. Only North Carolina, New York and California were higher, with significant differences noted for only the latter two.

Estimated State Income Tax Burdens  
For Specified Income Levels For Selected States, 1975

<u>State</u>	<u>Salary</u>			
	<u>\$15,000</u>	<u>\$25,000</u>	<u>\$35,000</u>	<u>\$50,000</u>
South Carolina	\$315	\$905	\$1,500	\$2,375
Georgia	235	730	1,090	1,850
North Carolina	425	1,020	1,615	2,495
New York	425	1,210	2,330	4,215
Pennsylvania	300	500	700	1,000
Illinois	55	130	215	345
Ohio	71	260	504	880
Connecticut	- no state income tax --			
Colorado	320	751	1,145	1,740
Texas	- no state income tax --			
Florida	- no state income tax --			
California	460	1,310	2,245	3,625
Missouri	205	535	830	1,275

Source: Ibid.

In the case of several municipalities, however, either their lower rate advantage is partially offset or their higher rate is somewhat magnified by a local income tax:

<u>City</u>	<u>Income Tax</u>
1. New York	A rate of 0.7% to 3.5% of net taxable income on residents; A rate of 0.45% on non-resident's wages A rate of 0.65% on self-employed persons
2. Pittsburgh	A rate of 1.0% on resident individuals net taxable income
3. Cleveland	A rate of 1.0% on resident individuals net taxable income
4. St. Louis	A rate of 1.0% on resident individuals net taxable income



While South Carolina apparently taxes personal income somewhat more heavily than some other states, other states employ means of tax collections either non-existent or less burdensome than South Carolina. These taxes include:

- (a) Motor Vehicle Registration and Use - of the 13 states; South Carolina generated a smaller portion of this tax revenue from this tax than any other state. This differential indicated South Carolina lowest at 2.7 percent with Texas the highest at 12.5 percent of total tax revenue.
- (b) Cigarette Tax - Lower ratio to total tax revenue than any other state compared except North Carolina.
- (c) Public Utilities Tax - This levy on public utilities (the cost of which is eventually passed to the consumer) provides a significantly higher tax base in North Carolina, Pennsylvania, Illinois, Ohio and Connecticut.
- (d) Stock and Realty Transfer Tax - Considerably more significant in New York and Florida.
- (e) Estate and Inheritance Tax - Significantly higher revenue producer in Pennsylvania, Connecticut, Colorado and California.
- (f) Severance Tax - The second biggest revenue generator in Texas.
- (g) Insurance Company Tax - A tax assessed on insurance companies based on gross premium receipts. The locational pull which might be effected by tax differentials, however, is felt to be very limited since they apply only to policies issued to in-state policy holders. This would be especially true for a national office or major regional facility. Florida does offer an advantage with this tax in that its in-state tax is applied at one-half the normal rate for companies operating a district office in Florida (serving Florida and at least two other states) and no in-state tax for insurance companies headquartered in Florida. While this tax "loop-hole" is apparently the subject of much legislative discussion each session, its lobby is reportedly sufficiently strong to maintain the tax advantage for many years.
- (h) State Property Tax - In South Carolina no state property

tax is imposed (but real and personal property is taxed in five of the 13 states compared) with "intangible" property (cash, stocks, bonds, notes, etc.), also taxed in five states:

State Property Taxes for Selected States, 1975

<u>State</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Intangibles</u>
South Carolina	no	no	no
Georgia	<u>yes</u>	<u>yes</u>	<u>yes</u>
North Carolina	no	no	<u>yes</u>
New York	no	no	no
Pennsylvania	no	no	<u>yes</u> <sup>1</sup>
Illinois	no	no	no
Ohio	<u>yes</u>	<u>yes</u>	<u>yes</u>
Connecticut	no	no	no
Colorado	<u>yes</u>	<u>yes</u>	no
Texas	<u>yes</u>	<u>yes</u>	no
Florida	no	no	<u>yes</u>
California	no	no	no
Missouri	<u>yes</u>	<u>yes</u>	no

<sup>1</sup>In the form of a corporate loans tax, a capital stocks tax, and a financial institutions tax.

Source: Ibid.

Since the property tax is an important cost item both for a corporation and in its cost considerations and individuals as a cost of living factor, the following section discusses this topic in detail.

## Property Taxes

State and local tax systems show considerable variation in structure in applying property taxes. In some instances only municipal and county assessments are collected, in others state, local, county and school rates are assessed. Tax ratios may vary from buildings to property, and areas may tax any combinations of real, tangible personal or intangible personal property.

In order to compare the variation in property tax burden among selected areas, a specific example must be utilized. The comparative differences are, of course, generally illustrative of local situations but will vary slightly for different case examples.

Equally significant to the type of tax is the local assessment of identical property. Certainly, a building in New York City will be valued higher than the exact same structure in South Carolina. Additionally, the land area requirement for similar structures will not vary but certainly their land values would differ considerably.

For this example taxes on land, buildings and personal property will be considered. Building values are assumed to vary with building costs as outlined in Exhibit VIII. Land values are assumed to vary accordingly at a constant 20 percent relationship to building value. Personal tangible property values, i.e., furniture, and equipment, are assumed to be constant regardless of location, while intangible personal property taxes are excluded.

The case studies for which the following table calculates property taxes show:

<u>Case A</u>	<u>Case B</u>
30,000 sq. ft. low rise building	200,000 sq. ft. high rise building
Land Value + 20% of building value	Land value + 20% of building value
Furniture and Equipment Value	Furniture and Equipment Value
of \$200,000	of \$1.4 million



# EXHIBIT VII

## STATE AND LOCAL PROPERTY TAX LEVELS FOR TWO HYPOTHETICAL OPERATIONS IN SELECTED CITIES (Rounded to Nearest \$100)

City	Annual Property Tax		Difference Over S.C. Four City Average	
	Low Rise	High Rise	Low Rise	High Rise
Columbia	\$27,800	\$206,900	-	-
Spartanburg	20,300	150,900	-	-
Charleston	25,200	187,200	-	-
Greenville	28,500	212,100	-	-
Atlanta	56,000	416,300 <sup>1</sup>	+\$30,500	+\$227,000
Augusta	35,600	265,000	+\$10,100	+\$ 75,700
Savannah	37,700	280,300	+\$12,200	+\$ 91,000
Charlotte	22,700	168,700	-\$ 2,800	=\$ 20,600
Greensboro	26,100	193,900	+ \$ 600	+\$ 4,600
Raleigh	25,600	190,500	+ \$ 100	+\$ 1,200
New York	82,300*	618,100*	+\$56,800	+\$422,800
Pittsburgh	62,300*	431,000*	+\$36,800	+\$241,700
Chicago	90,800**	676,800**	+\$65,300	+\$487,500
Cleveland	41,600	309,800	+\$16,100	+\$120,500
White Plains	76,000*	567,400*	+\$50,500	+\$378,100
Hartford	91,200	679,000	+\$65,700	+\$489,700
Denver	43,200	322,200	+\$17,700	+\$132,900
Houston	38,200	284,300	+\$12,700	+\$ 95,000
Jacksonville	29,200	217,200	+\$ 3,700	+\$ 27,900
Los Angeles	60,400	449,800	+\$34,900	+\$260,500
St. Louis	32,800	244,300	+\$ 7,300	+\$ 55,000

<sup>1</sup>DeKalb County.

\* No tangible personal property tax.

\*\* Tangible personal property tax to end in 1979.

Source: Contacts with local and state authorities.

The preceding table demonstrates that while the property tax burden varies within South Carolina localities, their level is consistently below every other area compared with the minor exceptions noted in North Carolina. This tax advantage ranges up to \$65,000 annually for a prototype 30,000 square foot operation and \$490,000 for a 200,000 square foot high rise in the highest property tax cost cities of Chicago and Hartford.

Cost savings which would be offered corporations by virtue of a South Carolina location would also accrue to its employees. Following the assumptions of the preceding example, residential construction values are assumed to vary consistently with building cost (as outlined in Exhibit XIV) and land values are assumed to represent a constant 20 percent relationship to building values. For a case example the 2,200 square foot residence was chosen. Tax loads would vary considerably with the four South Carolina cities showing a lower than all cities compared with the exception of Charlotte and Raleigh. Moreover, in the case of New York, Pittsburgh, Chicago, White Plains, Hartford, Los Angeles and Atlanta, these variations were considerable, as detailed in Exhibit VIII.

# EXHIBIT VIII

## ESTIMATED PROPERTY TAX LEVEL IN SELECTED CITIES FOR A SPECIFIED RESIDENTIAL STRUCTURE, 1975

<u>City</u>	<u>Property Tax</u>	<u>Difference Over Four City Average</u>
Columbia	\$1,213	-
Spartanburg	887	-
Charleston	1,094	-
Greenville	1,247	-
Atlanta	2,480	\$ +1,370
Augusta	1,315	+ 205
Savannah	1,660	+ 550
Charlotte	982	- 128
Greensboro	1,150	+ 40
Raleigh	1,102	- 8
New York	4,193	+3,083
Pittsburgh	3,324	+2,214
Chicago	6,888	+5,778
Cleveland	1,903	+ 793
White Plains	3,908	+2,798
Hartford	4,140	+3,030
Denver	1,956	+ 846
Houston	1,708	+ 598
Jacksonville	1,301	+ 191
Los Angeles	2,739	+1,629
St. Louis	1,504	+ 394

Source: Ibid.



Other Local Taxes. In South Carolina, if business licenses fees and similar taxing instruments are excluded, the property tax is the only direct levy of municipalities. This is not the case in many other cities. As already noted, several municipalities being examined in this report assess local income taxes. Other local taxes include:

a) Local Sales Tax

New York City (4%)  
Pittsburgh (1%)  
White Plains (1%)  
Los Angeles (1 1/4%)  
Denver (3%)  
Houston (1%)

b. Utility Bill Tax

Los Angeles (5% on residential;  
10% on commercial and industrial  
electric)  
Jacksonville (10%)

Taxes that are unique to specific cities, but not already discussed, include:

a) New York City

General occupancy tax  
Commercial occupancy tax  
Hotel occupancy tax  
Utility and transportation company tax  
Annual Vault charge  
Cigarette tax  
Coin-operated amusements tax  
Financial companies tax  
Insurance company tax  
Fuel tax  
Motor vehicle tax

b) Pittsburgh

Amusement tax  
Realty transfer tax

c) Chicago

Gasoline receipts tax  
Telephone and telegraph tax  
Electricity tax  
Cigarette tax  
Amusement tax  
Employees Expense tax (\$3/employee/month)  
Transaction tax  
Hotel tax  
Parking tax

d) Los Angeles

Transient Occupancy tax  
Realty transfer tax  
Alcoholic drink tax

e) St. Louis

Gasoline tax  
Cigarette tax

Unemployment Compensation. While South Carolina's unemployment compensation "tax" appears to be about average compared to its neighbors, maximum and minimum rates vary considerably. All states essentially base the tax on employer's contribution record, benefit experience and the amount in the state fund.

# EXHIBIT IX

## COMPARATIVE UNEMPLOYMENT INSURANCE TAX RATES FOR SELECTED STATES, 1975

<u>State</u>	Unemployment Insurance		Tax for 100 Employees	Cost Index = 100 S.C.
	Tax (annually per employee)			
	<u>Minimum</u>	<u>Maximum</u>	<u>Median</u>	<u>Median Figure</u>
South Carolina	\$10.50	\$172.20	\$ 9,135	100
Georgia	3.36	141.12	7,224	79
North Carolina	8.40	197.40	10,290	113
New York	54.60	210.00	13,330	145
Pennsylvania	42.00	168.00	10,500	115
Illinois	4.20	168.00	8,610	94
Ohio	4.20	159.60	8,190	90
Connecticut	90.00	360.00	22,500	246
Colorado	0.00	151.20	7,560	83
Texas	4.20	168.00	8,610	94
Florida	4.20	189.00	9,660	106
California	71.40	172.20	12,180	133
Missouri	0.00	162.00	8,100	89

Source: Based on data from Commerce Clearing House, Inc.,  
State Tax Handbook, October 15, 1975.



## Housing for Executives

Many of the survey respondents focused on the availability of housing for executives as an important factor in evaluating potential locations. Of these factors apparently demonstrating a high degree of "interest," this area certainly ranks as one of the most subjective to comparatively evaluate. The last complete and comparable housing study conducted for South Carolina and the localities being co-evaluated in this report was the 1970 Census of Housing. Certainly the findings of this Department of Commerce publication are well out-dated.

This is a more highly subjective area than industrial and economic development professionals are used to working in. It is a difficult subject on which to rank or compare cities without a detailed study of each. Furthermore, the status of "adequate" housing will vary in price ranges, location, and housing types. Finally, the current day status of the housing market complicates the picture from either a short-range or long-range viewpoint. In light of this situation, this location element is approached rather broadly.

Looking historically at South Carolina major urban areas' housing supply, it becomes apparent that the metro areas' stock of housing lacked relative diversity and choice even into the mid to late 1960's. Nearing the end of the decade, the metro areas began a housing boom that did not subside until the national housing plunge of early to mid-1973. This "boom" resulted in greater market alternatives created by heavy construction volumes.

Several factors place South Carolina in a very favorable picture as regards housing. As detailed in the section on building costs, an executive can build (or purchase) a particular home in South Carolina at a significantly lower price than in other sections of the country. As noted in this cost evaluation, these cost differentials can be considerable. Secondly, as a dual result of lower construction costs and effective property tax rates, the annual property tax bill is less burdensome. Additionally, lower home costs also offer a savings in the area of fire insurance premiums. These three elements add up to an important housing advantage.

The relatively small population size and density of South Carolina's major urban areas offer the opportunity to obtain generally larger lot sizes than might be available in more congested regions. This lower development congestion also provides greater opportunities

to find land and/or homes well removed from central business districts and other heavily developed areas while still remaining within reasonable driving distances and times of major commercial and business routes.

On the negative side, however, certain factors weaken the assets of South Carolina for executive housing. While certainly a broad range of home styles and concepts are available within the state, South Carolina has always been a "follower" to new and/or unique residential concepts. Consequently, more innovative areas boasting larger and generally wealthier markets will have more to show potential corporate prospects. Therefore, the size of the state's urban areas, while representing an asset on one hand, is a liability in another respect. Larger markets mean more choice in terms of architecture, location, size, alternative living styles, etc.

The state, therefore, possesses both strengths and weaknesses in what it can and does offer in terms of executive housing. It is felt that the assets will tend to outweigh the weaknesses for smaller size administrative office prospects, but these advantages will progressively deteriorate as the size of the office prospect increases.





## Public School System

While measuring and comparing public school systems is another locational factor topic that tends to be rather subjective, virtually all objective indices rank South Carolina poorly.

Of the 13 states evaluated, South Carolina paid the lowest average public school teacher salary in 1972-73 (the last year for which comparative data is available). The \$8,005 figure was only 79 percent of the national average of \$10,114. From the 1966-67 school year to the 1972-73 period salaries in the state were up 52 percent compared to a slightly lower national average gain of 48 percent. The dollar gap between state and national salaries increased from \$1,566 to \$2,109.

Per pupil public school expenditures for South Carolina in 1972-73 was \$751, up 89 percent over the \$398 recorded in 1966-67. Again, South Carolina ranked lowest of the states compared. While the relative gain in this indicator was above the U.S. mean of 80 percent, the dollar gap expenditure again widened from \$175 to \$283. In relative terms South Carolina moved from 69 percent (in 1966-67) to 73 percent (in 1972-73) of the national average.

In terms of school personnel, the state ranked as lowest among the states evaluated, tied with California in 1966 with one teacher per 26.4 pupils. Significant improvement was made in this measure by 1970 with a 16 percent decline by 1970 down to 22.3 students per teacher, equalling the national average. This improvement in the teacher/student ratio moved South Carolina lower than states such as Georgia, North Carolina, Ohio, Colorado, Florida and California.

South Carolina's relatively weak expenditure position is not, however, due to a lack of financial commitment on the part of government. In 1965-66 and 1970-71 South Carolina "educational expenditures as a percent of all general expenditures" was above the national average. Moreover, while South Carolina increased this relative commitment from 44 percent to almost 46 percent, the national average was dropping.

These education indicators are detailed in the following table.

## EXHIBIT X

SELECTED EDUCATIONAL INDICES FOR SOUTH CAROLINA, OTHER SELECTED STATES AND THE UNITED STATES

State	Est. Average Salary of Public School Teachers			Total Public School Expenditure Per Pupil			Total Educational Expenditures as a Percent of all Gen. Expenditures		Pupils Per Teacher	
	1966-67	1972-73	Change	1966-67	1972-73	Change	1965-66	1970-71	1966	1970
South Carolina	\$5,264	\$ 8,005	+52%	\$398	\$ 751	+89%	44.1%	45.6%	26.4	22.3
Georgia	5,895	8,204	+39	450	782	+74	39.7	39.8	26.2	25.0
North Carolina	5,656	9,076	+60	421	802	+90	45.6	44.8	25.0	24.1
New York	7,900	12,380	+57	918	1,584	+73	35.8	33.1	20.6	19.6
Pennsylvania	6,896	10,600	+54	604	1,177	+95	41.9	39.7	23.6	22.1
Illinois	7,456	11,200	+50	572	1,144	+100	42.5	41.8	23.0	21.1
Ohio	6,482	9,300	+43	502	945	+88	42.8	41.6	25.9	23.2
Connecticut	7,564	10,600	+40	707	1,241	+76	35.3	37.1	23.0	21.1
Colorado	6,640	9,774	+47	553	955	+79	45.6	46.2	22.7	23.3
Texas	5,900	8,735	+48	442	1,044	+136	43.9	43.8	24.2	21.9
Florida	6,600	9,220	+38	504	902	+79	38.5	41.1	24.9	22.9
California	8,484	11,760	+39	653	1,000	+53	37.6	33.7	26.4	24.0
Missouri	<u>6,137</u>	<u>9,074</u>	<u>+48</u>	<u>492</u>	<u>881</u>	<u>+79</u>	<u>40.6</u>	<u>39.9</u>	<u>25.3</u>	<u>21.5</u>
U.S. Average	\$6,830	\$10,114	+48%	\$573	\$1,034	+80%	40.2%	39.4%	24.1	22.3

Source: National Education Association.



### Public Support Services

Under the factor rating system the presence of "good public support services" was considered as an above average location influence. These services, while rather easy to evaluate from a strictly quantitative viewpoint, are very difficult to discuss qualitatively. For example, while it was noted that for a given city there was an above average number of police department personnel (per capita), it also rated as an extremely high crime rate area. Determining qualitative ratings based on these kinds of data would obviously be a futile exercise. Therefore, the following comments on public support services cannot be expected to imply too significantly about their qualitative aspects.

As of 1974, the four major cities showed a "mixed bag" on the topic of municipal service personnel. In the area of police personnel, Columbia, Spartanburg and Greenville each showed a slightly below average per capita police complement, while Charleston rated above average for the 21 cities being considered in this report.

In terms of fire department personnel, South Carolina cities rated more favorably with average to above average per capita fire department employees, with Charleston again showing up most strongly. Refuse department personnel figures indicate that the state's four cities had well above average employee complements relative to population. In fact, none of the other 17 cities being correspondingly evaluated rated higher than these South Carolina municipalities.

Consistency of public support services is also another criteria to be considered. Certainly the experiences of some cities with activities such as police and fire department slowdowns and striking sanitation workers would seem to detract from the services of these cities. In a survey of 425 cities around the country, a study by the International City Managers Association reported that 68 percent of municipalities utilize collective bargaining and in 47 percent of the total cities surveyed unions held exclusive recognition for collective bargaining. While these figures did not vary drastically according to the city size, the variation by geographic region was substantial. While 95 percent of the Northeastern cities surveyed and 80 percent of those in the Northcentral and Western U.S. utilized collective bargaining, only 28 percent of Southern municipalities were similarly categorized.

Another report covering all municipalities indicated that in 1974 only six South Carolina governmental jurisdictions engaged



in "collective negotiations and/or meet and confer discussions." That figure represented only 1.0 percent of the governments in the state - the lowest ratio of any state in the country.

Municipal Services Personnel in Selected Cities, 1974  
(per 10,000 population)

<u>City</u>	<u>Police</u>	<u>Fire</u>	<u>Refuse</u>
Columbia	23	21	25
Spartanburg	23	23	24
Charleston	33	28	25
Greenville	28	23	25
Atlanta	41	23	24
Augusta	n.a.	n.a.	n.a.
Savannah	26	21	17
Charlotte	25	18	18
Greensboro	23	17	10
Raleigh	23	19	15
New York*	41	19	19
Pittsburgh	33	22	**
Chicago	48	16	20
Cleveland	37	20	12
White Plains	45	35	20
Hartford	40	36	11
Denver	31	18	9
Houston	19	16	**
Jacksonville	22	15	**
Los Angeles	37	12	**
St. Louis	n.a.	n.a.	n.a.

n.a. - not available

\* 1973 data

\*\* part or all refuse collection contracted privately.

Sources: Estimates based on data from the U.S. Department of Commerce, Bureau of the Census, Current Population Reports, Series P-25, selected issues and International City Managers Association, 1975 Municipal Yearbook.

# EXHIBIT XI

## SAMPLE SURVEY OF UNIONIZATION OF MUNICIPAL EMPLOYEES IN THE UNITED STATES, 1974

	<u>Number</u>	<u>Using Collective Bargaining</u>	<u>Unions Given Exclusive Recognition</u>
Total Cities Surveyed	425	68%	57%
Cities by Size Population:			
Over 500,000	18	67%	50%
250,000-500,000	26	77%	65%
100,000-249,999	70	67%	54%
50,000-99,999	152	69%	58%
25,000-49,999	159	67%	57%
Cities by Geographic Region:			
Northeast	83	95%	86%
North Central	124	81%	65%
South	120	28%	23%
West	98	80%	63%

Source: International City Managers Association, 1974 Municipal Yearbook.

Number and Percent of State and Local Governments  
That Engage in Collective Negotiations  
and/or Meet and Confer Discussions, October, 1974

<u>State</u>	<u>Number</u>	<u>Percent</u>
South Carolina	6	1.0%
Georgia	27	2.2
North Carolina	10	1.2
New York	1,011	30.6
Pennsylvania	896	18.2
Illinois	781	12.2
Ohio	656	20.1
Connecticut	168	39.2
Colorado	97	7.3
Texas	135	3.7
Florida	107	12.4
California	1,227	32.1
Missouri	211	7.5
United States	11,636	14.9%

Source: U.S. Department of Commerce, "Labor  
Management Relations in State and Local  
Governments, 1974."

While South Carolina (and the South) has historically experienced considerably below average union participation and activity, there are signs that this situation is changing. Membership in municipal unions is growing and according to South Carolina Labor Commissioner E. L. McGowan, "There is a lot of organizing effort going on, and I expect it will continue."<sup>1</sup>

South Carolina's very low unionization in municipal services, even in light of organized labor growth trends, must be considered an obvious asset as regards public support services.

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<sup>1</sup>The Columbia Record, "More public employees in S.C. Turning to Unions," March 23, 1976.



## The Labor Force

It is somewhat misleading to discuss a labor force without coupling it with wages and salaries. But, since these two factors were separated in the survey, these items will be considered individually. To obtain the most meaningful comparisons and evaluations, the two are combined in both segments when judged needed. This, obviously, produces some obvious but necessary duplication.

Basically, there are several sources for "new" labor, and they can be acquired from:

1. Increasing the participation level of the present population
2. The increased growth through population growth
3. Stopping the out-migration of workers from the metro areas.
4. Attracting workers from outside the metro region
5. Attracting workers from lower-paying occupations...those that are underemployed
6. Utilization of "special resources" such as students, the handicapped, etc.
7. The unemployed
8. New labor force entrants from the local population.

But, unless an area has very strong needs for additional workers and a very low unemployment level, additional employees for a new facility would come almost exclusively from the unemployed, the underemployed, from those entering the work force for the first time; and population growth resulting from in-migration. These present the best opportunity for new offices in South Carolina.

The Unemployed. South Carolina and its major urban areas, like the rest of the nation, are currently experiencing an abnormally high rate of unemployment. This trend, however, has shown strong trends toward normalization with the Columbia metro rate down to 6.0 percent in March, 1976 from an estimated 8.1 percent for 1975, while over a similar period Greenville-Spartanburg has dropped from 9.8 percent to 6.0 percent, and Metro Charleston from 9.3 percent to 6.6 percent. Therefore, it would be erroneous to assume that the current number of unemployed persons would represent an available labor pool to a new employer a year or so from now.

The Unemployment Rate in South Carolina  
Metro Areas, 1970-February 1976

<u>Year</u>	<u>Metro Area</u>			<u>United States</u>
	<u>Columbia</u>	<u>Greenville-Spartanburg</u>	<u>Charleston</u>	
1970	3.6%	3.6%	4.8%	4.9%
1971	4.2	4.0	6.3	5.9
1972	3.5	2.9	5.0	5.6
1973	3.2	2.4	5.0	4.9
1974	4.1	4.1	6.5	5.6
1975 (est.)	8.1	9.8	9.3	8.6
1976, March	6.0	6.0	6.6	7.8

Source: South Carolina Employment Security Commission.

Assuming that more "normal" unemployment rates prevailed, the nextmost logical question would be, "What share of the non-hard core unemployed would be qualified to work in office and office-related occupations?" Judging from job applications in the three areas, these ratios would appear to be:

Metro Columbia	24% to 29%
Metro Charleston	19% to 23%
Metro Greenville-Spartanburg	18% to 22%

These figures would then translate into the following estimates of employable and qualified office worker labor pool resources of:

Metro Columbia	550 to 725 persons
Metro Charleston	600 to 800 persons
Metro Greenville-Spartanburg	500 to 650 persons

Certainly, if unemployment figures remain at uncharacteristically high rates over the next several years, the labor pool resources for an office prospect would rise accordingly.

New Entrants into the Labor Force. There are basically two methods of measuring new labor force entrants. The first is to check the population by age categories utilizing the 1970 Census of Population,



updating each section to 1975 and the next year's and the next, indicating the number who reach 17 years old. Then, the normal share that attend colleges or go to other educational institutions are subtracted, leaving those available for work. Penetration levels are then applied to these categories, resulting in the number of people entering the labor force annually. These results could then be combined with labor force growth from in-migration to produce a new entrants estimate.

The second method is just to run a trend line of the net change in civilian employees added annually and extend this pattern through a given period of time. It was felt that this approach would be sufficient since the first method is usually needed for high unemployment areas. Since South Carolina has historically been a relatively low unemployment rate area, the second approach should be sufficient for the needs of this report.

From 1971 to 1975 the changes in the civilian labor force in the state's three major metro areas have been somewhat erratic. The Greenville-Spartanburg area was the leader during this period with a jump of 39,800 persons, followed by Columbia and, then, Charleston. During 1975, however, it is estimated that all three areas realized very similar absolute growth figures.

Net Change of Workers in the Civilian Labor Force  
In South Carolina Metro Areas, 1971-1975

<u>Year</u>	<u>Metro Area</u>		
	<u>Columbia</u>	<u>Greenville-Spartanburg</u>	<u>Charleston</u>
1970-1971	6,500	5,900	1,900
1971-1972	7,600	5,300	1,300
1972-1973	4,200	11,800	7,000
1973-1974	7,400	10,400	7,500
1974-1975 (est.)	6,800	6,400	6,300
Total 1971-75	32,500	39,800	24,000
Average Annual 1971-1975	6,500	7,960	4,800

Source: Ibid.



While detailed comparative labor force growth figures are not readily available for the areas being evaluated, population growth trends can definitely be instructive since labor supply growth is directly related to population growth.<sup>1</sup>

Both South Carolina and its metropolitan areas have realized population growth since 1970 at a pace well above national averages. From 1970 to 1975 South Carolina ranked 11th among the states in absolute growth, adding some 235,000 persons -- more than Pennsylvania, Illinois and Ohio combined. The state's relative growth rate at 9.4 percent was equally impressive, ranked 15th nationally and above that of neighboring North Carolina and Georgia.

The Columbia, Greenville-Spartanburg and Charleston metro areas also rated well. Among the 259 metro areas nationally, South Carolina's three metros ranked no worse than 69th in either absolute or relative growth. Columbia rated in the top 16 percent in both indicators, Greenville-Spartanburg in the top 17 percent in both measures, while Charleston was ranked in the top 27 percent for each.

The general tendency noted in the comparative growth figures was for Southern and Western areas to rate highly with the large metro and northern metros to realize actual declines. Two very notable exceptions to this were the Augusta and Savannah metropolitan regions which both lost population and rated in the lower 11 percent of all areas nationally.

Apparently, then, by virtue of South Carolina's population growth record over the past five years, the state and its major urban areas have been experiencing a well above average increase in their labor force growth.

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<sup>1</sup>Definite correlations between population growth and city size can also be seen with other factors important to corporate offices:

- ...improving air services
- ...expanding range of business services
- ...growing markets, and consequently increasing volume and variety of supply for homes and office space
- ...expanding cultural opportunities.

Civilian Population Changes in Selected States, 1970-1975

<u>State</u>	<u>Absolute Change</u>		<u>Relative Change</u>	
	<u>No.</u>	<u>Rank in U.S.</u>	<u>No.</u>	<u>Rank in U.S.</u>
South Carolina	235,000	11	9.4%	15
Georgia	380,000	6	8.5	16
North Carolina	389,000	5	7.8	18
New York	-116,000	50	-0.6	50
Pennsylvania	31,000	44	0.3	49
Illinois	50,000	40	0.5	48
Ohio	106,000	28	1.0	46
Connecticut	64,000	35	2.1	42
Colorado	329,000	8	15.2	5
Texas	1,059,000	3	9.6	13
Florida	1,580,000	1	23.6	2
California	1,319,000	2	6.7	22
Missouri	98,000	31	2.1	42

Source: U.S. Department of Commerce, Bureau of the Census,  
Current Population Reports, Series P-25, No. 615,  
 November, 1975.

Population Changes in Selected Metropolitan Areas, 1970-1974  
(Ranked for the 259 Metro Areas)

<u>Metro Area</u>	<u>Absolute Change</u>		<u>Relative Change</u>	
	<u>No.</u>	<u>Rank in U.S.</u>	<u>No.</u>	<u>Rank in U.S.</u>
Columbia	38,000	42nd	11.8%	37th
Greenville-Spartanburg	48,700	33rd	10.3	44th
Charleston	25,900	60th	7.7	69th
Atlanta	180,500	6th	11.3	41st
Augusta	- 2,000	230th	-0.7	230th
Savannah	- 9,000	244th	-4.3	257th
Charlotte	31,500	51st	5.6	89th
Greensboro	35,400	45th	4.9	108th
Raleigh	43,100	39th	10.3	44th
New York	-339,300	259th	-3.4	252nd
Pittsburgh	-67,000	256th	-2.8	251st
Chicago	- 6,500	241st	-0.1	221st
Cleveland	-79,600	257th	-3.9	255th
White Plains <sup>1</sup>	-13,600	247th	-1.5	244th
Hartford	23,500	65th	2.3	168th
Denver	151,600	8th	12.2	36th
Houston	223,300	3rd	11.2	42nd
Jacksonville	53,100	28th	8.5	59th
Los Angeles	-115,900	258th	-1.6	246th
St. Louis	-39,300	255th	-1.6	246th

<sup>1</sup>Westchester County.

Source: U.S. Department of Commerce, Bureau of the Census,  
Current Population Reports, Series P-25, No. 618,  
January, 1976.

The Underemployed. Simplified, the underemployed are people who are employed in jobs that are below their qualifications. If it is assumed that pay is the sole determinant of job "quality," workers who may make \$5,400 a year but in a "perfectly competitive" labor force could earn \$6,500 annually based upon their experience, skill level, productivity, and overall qualifications if suitable positions were available would be underemployed.<sup>2</sup>

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<sup>2</sup>Assumes that wage or salary is the primary job selection criteria.



The premise here is that a segment of the employed are now working below their maximum economic potential, and if greater opportunities were available to move closer to this potential, they would "move up" to those positions. Realistically, a full-scale in-depth labor analysis would be required to identify the size and makings of this underemployed segment.

In broad terms, it is felt that major national firms moving into an area with a national or district office facility could realize a segment of their labor supply potential from this source. This situation does appear likely given the assumption that these larger national concerns would be in a better position to compete in the local labor market than locally oriented employers of office personnel.

Summary. In evaluating the labor supply for the major urban areas of South Carolina relative to national and regional offices, somewhat of a dichotomy exists. On the one hand, the state has historically been a low unemployment area, suggesting an above average tightness in the labor supply for entering firms. However, several other factors tend to mitigate this situation. Firms in the "non-local office" category have generally paid more competitive wages compared to locally oriented firms, suggesting a more advantageous position from which to attract the potential employee. Moreover, the metro areas' relatively low unemployment situation has not resulted from a declining or static labor force. Strong and consistent increases in new labor force entrants allow any firm, especially wage-competitive ones, a continual supply from which to draw.

## Wages

The second side to the labor force question is, of course, wages; and in this respect South Carolina's major urban areas rank well. To evaluate this element, a hypothetical office staffing of non-executive level personnel was constructed. (The complete methodology and sources utilized for this comparison are presented in detail in Appendix C.)

Based on a work force complement composed of 17 different office and office-related occupations, the Greenville-Spartanburg area(s) rated as the least expensive among the 21 areas analyzed. Their closest competitors, in following order, were:

- ...Raleigh
- ...Augusta
- ...Charlotte
- ...Jacksonville
- ...COLUMBIA
- ...Hartford
- ...CHARLESTON

For this theoretical operation, total non-executive wages in the Greenville-Spartanburg area were \$1.073 million. This figure represented from a \$24,000 advantage over second place Raleigh to as much as a \$350,000 savings over the highest cost cities of New York and White Plains. Overall, as detailed in the following table, all South Carolina cities compared demonstrated a labor cost savings over:

- ...Greensboro
- ...Houston
- ...Denver
- ...Savannah
- ...Pittsburgh
- ...Atlanta
- ...Cleveland
- ...St. Louis
- ...Los Angeles
- ...Chicago
- ...White Plains
- ...New York

# EXHIBIT XII

## COMPARATIVE NON-MANAGERIAL WAGE COST COMPARISONS FOR A HYPOTHETICAL OFFICE FACILITY IN SELECTED AREAS, 1976

<u>City</u>	<u>Rank</u>	<u>Hypothetical 164 Non-Managerial Employment Complement</u>	<u>Difference from the South Carolina Four City Average</u>
Charleston	9	\$1,218,000	-
Columbia	7	1,169,000	-
Greenville	1	1,073,000	-
Spartanburg	1	1,073,000	-
Atlanta	15	1,290,000	\$+157,000
Augusta	4	1,145,000	+ 12,000
Savannah	13	1,254,000	+121,000
Charlotte	4	1,145,000	+ 12,000
Greensboro	10	1,206,000	+ 73,000
Raleigh	3	1,097,000	- 36,000
New York	20	1,483,000	+350,000
Pittsburgh	14	1,278,000	+145,000
Chicago	19	1,399,000	+266,000
Cleveland	16	1,302,000	+169,000
White Plains	20	1,483,000	+350,000
Hartford	8	1,194,000	+ 61,000
Denver	12	1,242,000	+109,000
Houston	11	1,230,000	+ 97,000
Jacksonville	4	1,145,000	+ 12,000
Los Angeles	18	1,338,000	+205,000
St. Louis	17	1,326,000	+193,000

Source: See Appendix C.



## Building Cost

Building cost in the Carolinas, whether for small or large office building structures or for executive residential homes, shows a considerable advantage over urban areas in the Northeast, Midwest, West and surprisingly in other urban areas in the South.

In the 17 areas compared to the South Carolina four major urban areas, 15 had higher building costs, with only Charlotte and Raleigh being below that evidenced within the state.

For a hypothetical low-rise office building of 30,000 square feet, the cost of construction in South Carolina would run, excluding land, about one million dollars. With the exception of Raleigh and Charlotte, this cost would be about 11 percent less than the three Georgia urban areas, from 30 to 50 percent less than cities in the North and Midwest, 30 to 38 percent less than the Western U.S., and about 20 percent less than major Southern metros such as Jacksonville and Houston.

In considering a hypothetical high-rise structure of 200,000 square feet, the dollar volume of this cost differential is significantly magnified. South Carolina's cost savings for a building of this type would run from about three quarters of a million dollars less than a similar structure in Georgia to as much as \$3.8 million less compared to the New York City-Westchester County area.

Residential home costs are also considerably lower in the Carolinas. A 2,200 square foot home in most South Carolina and North Carolina urban areas would cost as much as \$25,000 to \$30,000 less than a similar residence in an area such as Westchester County, New York. In this instance monthly mortgage costs would be about \$200 higher in this New York county. While this example demonstrates noticeable variation with costs in the Carolinas, most other major urban areas compared showed considerably higher monthly payments required for an identical structure.

The two following tables detail construction cost differences for both office and residential buildings. It should be noted that the lower costs associated with building in South Carolina would also represent savings in other cost variables:

...land costs are notably lower than most other major urban areas;

...higher building costs would be reflected in building

assessments for tax purposes, raising tax levels  
regardless of tax rates (which are also lower in  
South Carolina);

...fire insurance premiums based on value would be  
higher in higher cost areas.

## EXHIBIT XIII

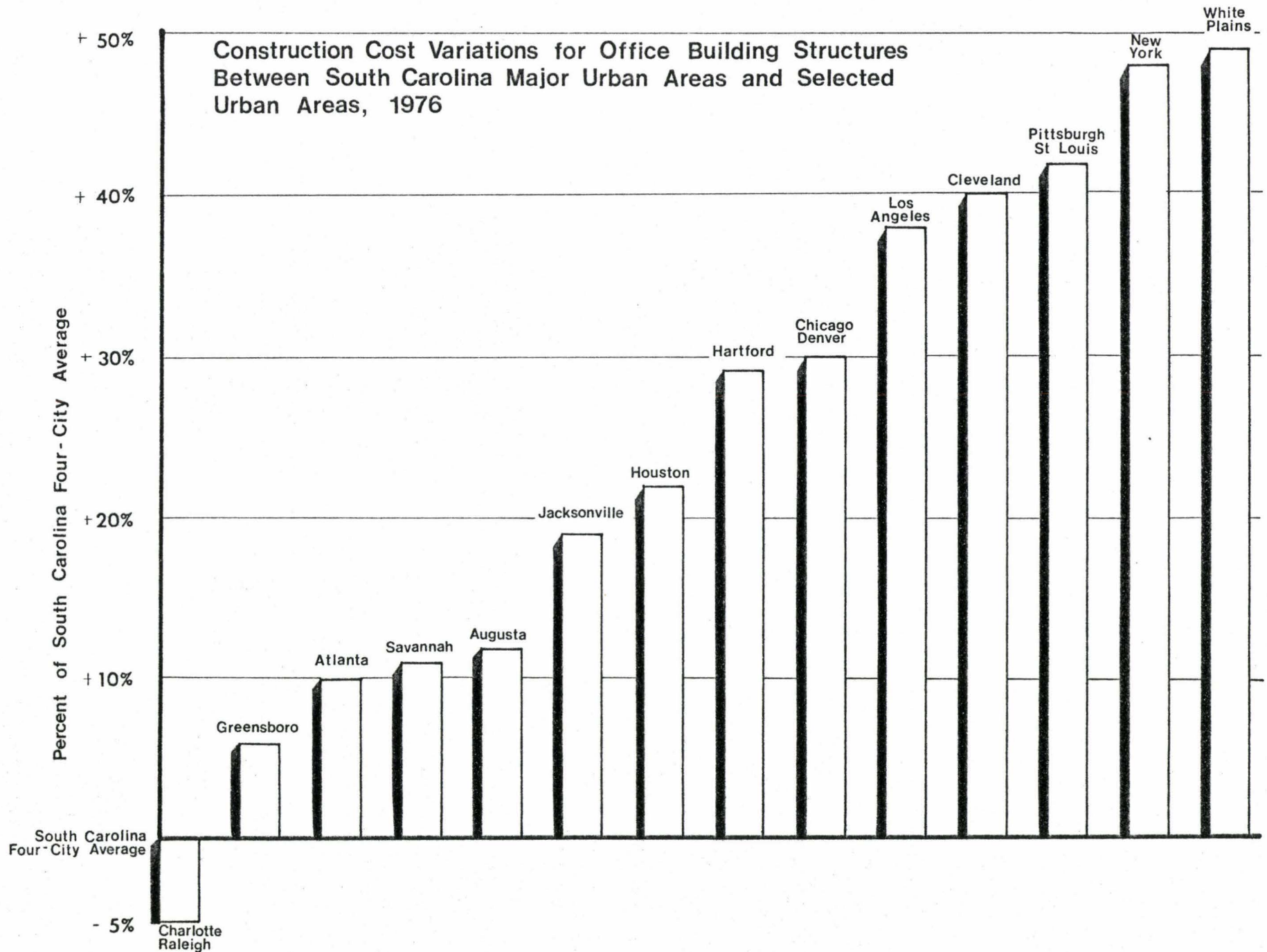
CONSTRUCTION COST VARIATIONS IN SELECTED URBAN AREAS  
FOR OFFICE BUILDING STRUCTURES

<u>Urban Area</u>	Low-Rise 30,000 sq. ft. <u>Building</u> (millions)	High-Rise 200,000 sq.ft. <u>Building</u> (millions)	Percentage Cost Difference From S.C. Four City <u>Average</u>
Columbia	\$1.057	\$ 7.936	-
Spartanburg	1.004	7.541	-
Charleston	1.007	7.562	-
Greenville	1.004	7.541	-
Atlanta	1.122	8.418	+10%
Augusta	1.140	8.554	+12%
Savannah	1.133	8.500	+11%
Charlotte	.966	7.249	- 5%
Greensboro	1.078	8.092	+ 6%
Raleigh	.964	7.235	- 5%
New York	1.510	11.336	+48%
Pittsburgh	1.445	10.846	+42%
Chicago	1.324	9.935	+30%
Cleveland	1.423	10.683	+40%
White Plains	1.522	11.424	+49%
Hartford	1.313	9.853	+29%
Denver	1.320	9.908	+30%
Houston	1.242	9.323	+22%
Jacksonville	1.216	9.126	+19%
Los Angeles	1.409	10.574	+38%
St. Louis	1.451	10.887	+42%

Source: Calculated on the basis of data in F.W. Dodge, Building Cost Calculator and Valuation Guide, March, 1976.



CHART I



# EXHIBIT XIV

## COMPARATIVE CONSTRUCTION COSTS IN SELECTED URBAN AREAS FOR A SINGLE FAMILY RESIDENCE (Excluding Land)

<u>Urban Area</u>	<u>Cost of</u> <u>2,200 sq. ft.</u> <u>Masonry Wall</u> <u>One Story Home</u>	<u>Average</u> <u>Monthly Payment</u> <u>Difference to S.C.</u> <u>Four City Average</u> <u>at 9%</u> <u>30 Year Mortgage</u> <u>(10% Down Payment)</u>
Columbia	\$53,400	-
Spartanburg	51,200	-
Charleston	51,000	-
Greenville	51,200	-
Atlanta	57,100	\$+39
Augusta	57,900	+46
Savannah	57,240	+40
Charlotte	49,000	-19
Greensboro	54,900	+23
Raleigh	48,600	-23
New York	76,900	+182
Pittsburgh	74,600	+166
Chicago	67,000	+111
Cleveland	72,800	+153
White Plains	78,620	+195
Hartford	67,200	+112
Denver	67,230	+112
Houston	63,020	+82
Jacksonville	61,620	+72
Los Angeles	71,520	+144
St. Louis	74,230	+163

Source: Construction cost estimates based on data from F. W. Dodge,  
Building Cost Calculator and Valuation Guide, March, 1976.

## Office Space

As indicated in the questionnaire survey response, the availability of "prime office space to lease" was apparently not a major locational factor, ranking 12th among 21 elements in the district/regional office ratings and 20th for the headquarter administrative function. Even though this factor did not rate as highly as some other considerations, it is a resource that must be available, just like parking, water, sewer, etc. Quite possibly the supply of office space is considered to be a ubiquitous quantity-present wherever it might be reasonably needed. Moreover, personal interviews with corporate officers tended to substantiate a greater importance being attached to the availability of existing suitable office space. This section focuses most directly on overall prime private office space in Columbia, Charleston, Greenville and Spartanburg and then compares general conditions noted in these areas to characteristics in other selected urban regions.

Columbia. As of mid-1976 Columbia's inventory of major private office space reached the 2.5 million square foot mark with about 1.3 million feet of this inventory in the central area of the city. Of this total approximately 21 to 22 percent is currently vacant, or about 500,000 to 550,000 square feet. Vacancies are less apparent in the downtown with the rate now running around 14 to 16 percent, and the suburban market showing somewhat more softness with a vacancy rate of 25 to 29 percent.

Rental rates in newer downtown structures generally range in the \$5.50 to \$6.75 per square foot category, with older downtown buildings available for \$4.00 to \$5.00 per foot. Suburban space in newer buildings and office parks is available at generally \$5.00 to \$6.00 with some space running as high as \$7.00 per foot. Parking fees "add" to the cost of many downtown buildings where \$15 to \$30 per month per space is the going rate, whereas all suburban parking is "free."

The current softness in the Columbia market has left the area with an inventory of available space that could meet a variety of needs. A potential administrative offices prospect could find upwards of 100,000 square feet available in one building and a wide range of smaller space parcels in a variety of downtown and outlying locations.

With the exception of several downtown structures (The Barringer Building, The PSL Building, The Columbia Building, and



The Palmetto Building), virtually all of Columbia's major office space supply is represented by structures that have been opened less than seven years.

Greenville. The private office space supply in the Greenville area reached approximately 1.3 million square feet in early 1976, bolstered by the fairly recent completions of several large structures with financial institutions as primary tenants. Of the total inventory of private office building space about 63 percent is located in the downtown area, representing approximately 800,000 square feet with the suburban areas showing 500,000 square feet.

Vacancy rates area-wide indicate that around 22 to 26 percent of the office supply is currently available, totaling 295,000 to 330,000 feet. Vacancies in the downtown area are running slightly above average at about 28 to 32 percent with the suburban area experiencing a lower rate in the neighborhood of 14 to 16 percent. These vacancy rates indicate a downtown supply availability of 225,000 to 250,000 square feet, with a vacant inventory in the suburban areas of 70,000 to 80,000 square feet.

Rental rates for newer office structures are predominantly in the \$5.50 to \$7.00 range in downtown buildings with suburban space somewhat less expensive at \$4.75 to \$5.50 per foot. Some older and smaller buildings show rates below that of newer, larger facilities with rents available in the \$4.00 to \$4.75 range.

As noted in Columbia, vacant available space ranges upward to 100,000 square feet in a given complex with a number of smaller size allotments. Several buildings currently have sufficient capacity to immediately house major potential tenants.

A majority of the private office space supply in the Greenville area has come on the market since 1970, with significant additions also dating in the mid 1960's. Only a small fraction of the total inventory of private space predates 1961.

Charleston. The current major private office space inventory in the greater Charleston area reached an estimated 750,000 square feet. Approximately one-third of this total space, or 250,000 square feet, is located in central Charleston (the Peninsula area), while the remainder lies about evenly divided in the general West Ashley and North Charleston areas. Only a very small portion of the total

inventory is located in the East Cooper section. Overall, vacancy rates appear to be averaging about 21 to 23 percent, leaving the area with 155,000 to 175,000 square feet of currently available space. Vacancy rates in central Charleston are about the same as that noted for outlying areas, as Peninsula Charleston contains approximately one-third of the vacant available footage.

Newer downtown office space leases for basically \$5.50 to \$7.00 per foot, with older structures somewhat less expensive in the \$4.25 to \$5.50 price range. In the downtown area parking costs range from free spaces up to generally \$15 per month reserved parking. Suburban rents are also basically in the \$5.50 to \$7.00 price range with some smaller space facilities renting at or slightly below the \$5.00 price tag. Suburban office rentals are provided free parking.

Current space inventories indicate that a firm could obtain upwards of 50,000 square feet of space in one given structure with allotments of a wide variety of space in smaller increments.

As noted for Greenville and Columbia, a majority of the total major private office space inventory in Charleston has been constructed over the past five or six years.

Spartanburg. Several conditions exist within the current office space market structure of the Spartanburg area that make it difficult to dimension characteristics as closely as the state's three other large urban centers:

- ...only one major office structure is noted, the ten floor Montgomery Building, constructed in the 1920's and now being upgraded.
- ...the general lack of significant office park-type development.
- ...the predominance of free-standing single tenant office facilities which effectively limit an accurate evaluation of rental rates and occupancy utilization.

Generally speaking, office space availability is basically limited to increments of 1,000 to 6,000 square feet, mostly in free standing structures. Rents for newer modern space, with full services are predominantly in the \$5.00 to \$5.50 per square foot



range with the older and smaller structures asking appreciably less.

Although Spartanburg does not have a true office park development, several of this magnitude are now being considered. Several announcements and rumors of major office plans have been prevalent over the past several years with some development potential probably spurred by current downtown redevelopment activity. While it is still premature to speculate on the specifics of these developments, if any one of these materialize, Spartanburg could realize an appreciable boost to its office space inventory over the next several years.

South Carolina Cities Versus Other Areas. In general, two guiding factors influence the level of private office building space for a given area:

- ...the area's population size;
- ...the area's employment composition.

In neither respect can the South Carolina cities be considered to possess either abnormal size or employment composition characteristics to result in an "above average" office space inventory situation. While this situation quite obviously varies within the state (the space inventory in Columbia versus Charleston points out this variation), it is generally felt to be true for the whole state. Metro area size alone dictates much of this status. In 1974 Greenville-Spartanburg had a metro population smaller than 72 other metropolitan areas, while Charleston ranked 99th and Columbia 100th. Moreover, none of South Carolina's major cities have traditionally been national/regional centers as Charlotte or Jacksonville, not to mention a substantially larger Atlanta. Consequently, both total and "available" inventories are naturally not as large. For example, consider the following samples of total and vacant office space in the following cities:

<u>Area</u>	<u>Millions of Square Feet</u>	
	<u>Total</u>	<u>Vacant</u>
Atlanta	47.0	7.0
Charlotte	7.2	1.5
New York	130.0	26.0
Cleveland	50.0	5.0
Los Angeles	40.0	6.0
Houston	67.0	4.0
Jacksonville	7.0	1.6



On a smaller metro area basis, however, South Carolina can be more competitive with areas of more similar size and office space with cities such as Raleigh, Greensboro, Savannah, and Augusta.

From a cost standpoint, on the other hand, South Carolina's major urban areas again show their advantage. As noted elsewhere in this chapter, both building costs and taxes are generally less expensive in South Carolina; and these items, combined with probable lower land prices, effect this advantage. As noted for the four cities in the state, new prime office space consistently rents for \$5.50 to \$7.00 per square foot. Although many large cities are now experiencing considerable excess space and, as a consequence, considerable rent concessions, rental rates are still predominantly above South Carolina's, as noted next.

<u>Area</u>	<u>New Prime Office Space Basic Rental Ranges</u>
Atlanta	\$6.50 to \$9.00
Charlotte	\$5.65 to \$7.50
New York	\$8.00 to \$11.00
Chicago	\$7.50 to \$9.50
Cleveland	\$7.00 to \$9.00
Hartford	\$6.00 to \$10.00
White Plains	\$9.00 to \$10.00
Los Angeles	\$7.00 to \$11.00
Denver	\$7.00 to \$10.00
Houston	\$7.00 to \$10.50
St. Louis	\$6.50 to \$8.50
Jacksonville	\$6.00 to \$7.50

Again, more similar size metros such as Greensboro, Raleigh, Savannah and Augusta show prime office space rental rates in line with those noted for South Carolina's major urban areas.

## Cost of Living

While considerable data is available to study the comparative expense of specific individual cost items by city -- such as utilities, construction cost, taxes -- there is no reliable comprehensive examination of the "cost of living" for a large number of urban areas.

Probably the most accurate of the cost of living comparisons is published annually by the U.S. Bureau of Labor Statistics in the form of "urban family budgets" for forty metropolitan areas. Regrettably, however, no South Carolina metros are included in this analysis. Moreover, only Atlanta and Durham are included from the Carolinas-Georgia region. Consequently, little use can be directly made of this service for South Carolina.

Another periodic examination of comparative living costs is made by the American Chamber of Commerce Researchers Association (ACCRA). This report is published quarterly and examines the cost of selected consumer items such as food, housing, utilities, transportation, health and miscellaneous services for 168 cities. For South Carolina this analysis includes the cities of Charleston, Greenville and Rock Hill. The reliability of the ACCRA report, however, is somewhat suspect when the results indicate, for example, that the cost of living in Rock Hill is 12 percent higher than Greenville and six percent above that of nearby Charlotte.

While specific city-by-city cost of living comparisons cannot be extracted to fit the urban areas being studied in this report, they can be of some direction in determining general cost-of-living guidelines.

In analyzing comparative data for each study area, the following categorization of a state's urban areas<sup>1</sup> relative to cost-of-living are estimated:

A. Urban areas in states with a cost of living within five percent (plus or minus) that of South Carolina

North Carolina  
Georgia  
Florida  
Texas  
Missouri  
Colorado

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<sup>1</sup>For the cities compared in this report.

B. Urban Areas in states with a cost of living six percent to fourteen percent higher than South Carolina

Ohio  
Illinois  
California

C. Urban areas in states with a cost of living fifteen or more percent higher than South Carolina

Connecticut  
New York



## Postal Service

While the locational factor of "postal service" was not included in the corporate survey questionnaire, it became evident in the personal interview research phase that companies were very much interested in the general "communications" attributes of a potential locale. While most of these comments were broad in nature, one company directly pointed to the need for close geographic proximity to a Postal Sectional Service Center. With heavy mail volumes both in-coming and out-going, speed of service offered by these centers was felt to be exceptionally important.

Of the four South Carolina cities under consideration in this report, three have Postal Sectional Service Centers (Columbia, Charleston, and Greenville with Spartanburg served from the Greenville office). Moreover, due to the airport facilities in Columbia and Charleston, and the Greenville-Spartanburg terminal, each enjoys air express mail service.

According to Mr. Sam Cartledge, District Manager of the Columbia District Office,<sup>1</sup> Columbia's incoming mail network delivers first class letters from sender to receiver as readily as any other facility in the Southeast. And, while a few deviations exist, the Charleston and Greenville-Spartanburg areas enjoy virtually the same high level of service.

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<sup>1</sup>Which serves most of South Carolina, except portions near Charlotte.

A COMPARISON OF OPERATING COSTS FOR  
HYPOTHETICAL ADMINISTRATIVE OFFICES  
IN SELECTED AREAS

Preface

As would be anticipated, it was necessary to make several assumptions prior to preparing this operations cost comparison chapter. The major assumptions that guided this effort were:

- ...three sizes of offices operations would be reflected, and they were: 50,000 sq. ft. (regional office with 250 employees); 100,000 sq. ft. (regional office with 500 employees); and 200,000 sq. ft. (headquarters operation with 1,000 employees).
- ...the urban areas used would be Charleston, Columbia, Greenville, Spartanburg, Atlanta, Augusta, Savannah, Charlotte, Greensboro, Raleigh, New York, Pittsburgh, Chicago, Cleveland, White Plains, Hartford, Denver, Houston, Jacksonville, Los Angeles, and St. Louis.
- ...all office space would be leased. No calculations were made for facilities constructed by the companies themselves.
- ...some specified expense items (identified in the narrative) would be insignificant in the overall comparison and did not merit the time and cost involved in gathering, tabulating and evaluating the data.

The Comparison Results

The results of the rather detailed cost comparisons are discussed below by office size, followed by a section outlining the items used in the tabulations.

Regional Office of 50,000 sq. ft. A hypothetical administrative office of around 50,000 sq. ft. would find the cost of operating in Greenville or Spartanburg lower than any of the urban areas examined. The least expensive areas in which to function, based upon the analysis

in Exhibit XV would be:

1. Greenville  
Spartanburg
3. Raleigh
4. Augusta
5. Charlotte
6. Columbia
7. Jacksonville
8. Greensboro
9. Charleston
10. Savannah

Yet, it should be pointed out that the annual cost difference between the number ten area, Savannah, and Greenville-Spartanburg would be \$234,300. And, the span between Columbia and Greenville-Spartanburg would be only \$131,600, or about 4.3 percent higher. Charleston was calculated at \$192,200 above Greenville-Spartanburg, or 6.3 percent higher.

These differences appear at initial glance to be large, but when compared to the gap in operating in South Carolina and New York, they are small, as shown below.

Office Operating Cost Differences in Urban Areas  
In South Carolina and New York  
(50,000 sq. ft., 250 employees)

<u>Area</u>	<u>Annual Cost Savings</u>
Charleston	\$673,000
Columbia	733,600
Greenville	865,200
Spartanburg	865,200
Average of four areas	\$784,250

Source: Exhibit XV .

Regional Office of 100,000 sq. ft. The relative positions of the urban areas compared, of course, did not change. But the cost savings obviously were much greater, as shown next.



Office Operating Cost Differences in Urban Areas  
In South Carolina and New York  
 (100,000 sq. ft., 500 Employees)

<u>Area</u>	<u>Annual Cost Savings</u>
Charleston	\$1,346,000
Columbia	1,467,200
Greenville	1,730,400
Spartanburg	1,730,400
Average of four areas	\$1,568,500

Source: Exhibit XVI.

The savings of the four urban area average compared to other major metropolitan cities in the Northeast and Midwest would be:

<u>Area</u>	<u>Annual Savings</u> <u>(Four Metro S.C. Avg.)</u>
Pittsburgh	\$ 584,100
Chicago	915,500
Cleveland	621,100
White Plains	1,328,300
Hartford	369,000

Over a decade, such general costs savings could mean anywhere from \$3.7 million compared to Hartford, and \$13.3 million compared to White Plains.

A National Office of 200,000 sq. ft. Again, the relative position of the urban cities in this hypothetical analysis would not differ. But, the operating cost savings become increasingly more impressive.

Office Operating Cost Differences in Urban Areas  
In South Carolina and New York  
(200,000 sq.ft. , 1,000 Employees)

<u>Area</u>	<u>Annual Cost Savings</u>
Charleston	\$2,692,000
Columbia	2,934,400
Greenville	3,460,800
Spartanburg	3,460,800
Average of four areas	\$3,137,000

Source: Exhibit XVII.

The items researched and analyzed in the above comparison and those reflected by Exhibits XV through XVII, plus the methodology used are outlined next.

Calculations and Methodology

The calculation of comparative administrative office facility costs between selected cities attempted to pinpoint significant and measurable expense items. Those selected to calculate were as follows.

The Cost of Renting. Certainly a major consideration is the cost of the office structure itself. Rates utilized in this computation were based on estimated averages for prime new office space in each given city, as guided by the findings of the office space survey. For those cities for which data was not available, prevailing rates in similarly located and similar size cities were utilized.

Leased space (versus owner-occupied facilities) was evaluated in all three examples because they include not only the implied cost of construction, but also are reflective of land costs, property taxes, utility bills, cost of construction, maintenance fees, etc.

Executive and Managerial Wage Levels. It was assumed that in each office size category executive and managerial workers comprised about 21 percent of the total work force. Also, the average salary of these individuals was assumed to be \$27,000 per year and consistent regardless of location. This constant

management wage level was utilized because it was felt that at least initially most of these positions would be held by executives moving into the area. It is felt, however, that as new personnel from the local area were hired into executive positions lower costs might be realized.

Non-executive and Managerial Wages. Based on the preceding detailed labor cost analysis conducted for this report and discussed separately, the average salary per employee was calculated and applied to the employment complement (less executive and managerial) for each case study example.

Productivity Index. Since average office hours worked in one location may well vary with another, it was considered a valuable tool to evaluate what these longer (or shorter) hours represented to an employer in terms of productivity. For example, the Greenville-Spartanburg area rated as the highest productivity area because office workers, on the average, put in a 39.8 hour week. At the other extreme, New York City office workers clock a mean of only 36 hours. This 10.6 percent longer work week in Greenville-Spartanburg provides for increased per-worker production potential. These differences in terms of hours per week were applied to the non-executive employees only. This index was calculated using office occupation job title data provided in U.S. Department of Labor, Bureau of Labor Statistics, Area Wage Survey, selected issues.

Workman's Compensation. The cost of workman's compensation was based on the "estimates of the percentage of payroll devoted to workmen's compensation premiums by employers in a representative sample of insurance classifications." These data were based on 1972 statistics published in the National Commission on State Workmen's Compensation Laws, Report, published in July, 1972. Due to the nature of the "office" employment industry, these rates probably represent high costs estimates. Nonetheless, it is felt that the comparative expense levels shown in the table(s) are instructive.

Among those items not included in the cost analysis were:



<u>Item</u>	<u>Reason for Exclusion</u>
Unemployment Insurance Tax	Highly complicated due to local conditions, with only relatively minor cost differences apparent.
Corporate Income Tax Corporate Franchise Tax	Tends to be affected only to a partial degree by office location, with differences not expected to show significantly variable results. Tax computation method highly involved.
Travel Communications	Highly complicated to compute for 21 cities, especially in the absence of a detailed case example.
Cost of Living	In part this is reflected by wage differentials and variations in lease costs. Other affected items less significant.

# EXHIBIT XV

## SELECTED OPERATIONAL COST ITEMS FOR A SPECIFIED ADMINISTRATIVE OFFICE FACILITY IN SELECTED AREAS, 1976

(Office Space: 50,000 Square Feet Leased; Employment: 250 Persons)

Area	Cost Item					Total	Rank
	Leased Office Space	Executive Payroll and Managerial	Non-Executive Payroll	Productivity Adjustment	Workman's Compensation		
Columbia	\$ 300,000	\$1,431,000	\$1,452,500	\$ 11,600	\$ 17,600	\$3,212,700	6
Spartanburg	\$ 300,000	\$1,431,000	\$1,333,300	0	\$ 16,800	\$3,081,100	1
Charleston	\$ 300,000	\$1,431,000	\$1,512,200	\$ 12,100	\$ 18,000	\$3,273,300	9
Greenville	\$ 300,000	\$1,431,000	\$1,333,300	0	\$ 16,800	\$3,081,100	1
Atlanta	\$ 362,500	\$1,431,000	\$1,602,000	\$ 12,800	\$ 15,200	\$3,423,500	14
Augusta	\$ 300,000	\$1,431,000	\$1,421,900	\$ 11,400	\$ 14,300	\$3,178,600	4
Savannah	\$ 300,000	\$1,431,000	\$1,556,900	\$ 12,500	\$ 15,000	\$3,315,400	10
Charlotte	\$ 312,500	\$1,431,000	\$1,421,900	\$ 11,400	\$ 12,000	\$3,188,800	5
Greensboro	\$ 300,000	\$1,431,000	\$1,497,400	\$ 31,400	\$ 12,300	\$3,272,100	8
Raleigh	\$ 300,000	\$1,431,000	\$1,362,500	\$ 10,900	\$ 11,700	\$3,116,100	3
New York	\$ 450,000	\$1,431,000	\$1,841,800	\$ 195,200	\$ 28,300	\$3,946,300	21
Pittsburgh	\$ 400,000	\$1,431,000	\$1,587,600	\$ 23,800	\$ 11,700	\$3,454,100	15
Chicago	\$ 412,500	\$1,431,000	\$1,737,300	\$ 45,200	\$ 20,800	\$3,646,800	19
Cleveland	\$ 387,500	\$1,431,000	\$1,616,600	\$ 12,900	\$ 24,600	\$3,472,600	16
White Plains	\$ 462,500	\$1,431,000	\$1,841,800	\$ 62,600	\$ 28,300	\$3,826,200	20
Hartford	\$ 362,500	\$1,431,000	\$1,482,800	\$ 50,400	\$ 20,300	\$3,347,000	11
Denver	\$ 400,000	\$1,431,000	\$1,542,500	\$ 12,300	\$ 19,300	\$3,405,100	13
Houston	\$ 387,500	\$1,431,000	\$1,528,100	\$ 12,200	\$ 20,800	\$3,379,600	12
Jacksonville	\$ 325,000	\$1,431,000	\$1,421,900	\$ 18,500	\$ 23,600	\$3,220,000	7
Los Angeles	\$ 412,500	\$1,431,000	\$1,661,500	\$ 8,300	\$ 34,100	\$3,547,400	18
St. Louis	\$ 362,500	\$1,431,000	\$1,647,100	\$ 24,700	\$ 24,600	\$3,489,900	17

# EXHIBIT XVI

## SELECTED OPERATIONAL COST ITEMS FOR A SPECIFIED ADMINISTRATIVE OFFICE FACILITY IN SELECTED AREAS, 1976

(Office Space: 100,000 Square Feet Leased; Employment: 500 Persons)

Area	Cost Item					Total	Rank
	Leased Office Space	Executive Payroll and Managerial	Non-Executive Payroll	Productivity Adjustment	Workman's Compensation		
Columbia	\$ 600,000	\$2,862,000	\$2,905,000	\$ 23,200	\$ 35,200	\$6,425,400	6
Spartanburg	\$ 600,000	\$2,862,000	\$2,666,600	\$ 0	\$ 33,600	\$6,162,200	1
Charleston	\$ 600,000	\$2,862,000	\$3,024,400	\$ 24,200	\$ 36,000	\$6,546,600	9
Greenville	\$ 600,000	\$2,862,000	\$2,666,600	\$ 0	\$ 33,600	\$6,162,200	1
Atlanta	\$ 725,000	\$2,862,000	\$3,204,000	\$ 25,600	\$ 30,400	\$6,847,000	14
Augusta	\$ 600,000	\$2,862,000	\$2,843,800	\$ 22,800	\$ 28,600	\$6,357,200	4
Savannah	\$ 600,000	\$2,862,000	\$3,113,800	\$ 25,000	\$ 30,000	\$6,630,800	10
Charlotte	\$ 625,000	\$2,862,000	\$2,843,800	\$ 22,800	\$ 24,000	\$6,377,600	5
Greensboro	\$ 600,000	\$2,862,000	\$2,994,800	\$ 62,800	\$ 24,600	\$6,544,200	8
Raleigh	\$ 600,000	\$2,862,000	\$2,725,000	\$ 21,800	\$ 23,400	\$6,232,200	3
New York	\$ 900,000	\$2,862,000	\$3,683,600	\$ 390,400	\$ 56,600	\$7,892,600	21
Pittsburgh	\$ 800,000	\$2,862,000	\$3,175,200	\$ 47,600	\$ 23,400	\$6,908,200	15
Chicago	\$ 825,000	\$2,862,000	\$3,474,600	\$ 90,400	\$ 41,600	\$7,293,600	19
Cleveland	\$ 775,000	\$2,862,000	\$3,233,200	\$ 25,800	\$ 49,200	\$6,945,200	16
White Plains	\$ 925,000	\$2,862,000	\$3,683,600	\$ 125,200	\$ 56,600	\$7,652,400	20
Hartford	\$ 725,000	\$2,862,000	\$2,965,600	\$ 100,800	\$ 40,600	\$6,694,000	11
Denver	\$ 800,000	\$2,862,000	\$3,085,000	\$ 24,600	\$ 38,600	\$6,810,200	13
Houston	\$ 775,000	\$2,862,000	\$3,056,200	\$ 24,400	\$ 41,600	\$6,759,200	12
Jacksonville	\$ 650,000	\$2,862,000	\$2,843,800	\$ 37,000	\$ 47,200	\$6,440,000	7
Los Angeles	\$ 825,000	\$2,862,000	\$3,323,000	\$ 16,600	\$ 68,200	\$7,094,800	18
St. Louis	\$ 725,000	\$2,862,000	\$3,294,200	\$ 49,400	\$ 49,200	\$6,979,800	17



# EXHIBIT XVII

## SELECTED OPERATIONAL COST ITEMS FOR A SPECIFIED ADMINISTRATIVE OFFICE FACILITY IN SELECTED AREAS, 1976

(Office Space: 200,000 Square Feet Leased; Employment: 1,000)

Area	Cost Item					Total	Rank
	Leased Office Space	Executive Payroll and Managerial	Non-Executive Payroll	Productivity Adjustment	Workman's Compensation		
Columbia	\$1,200,000	\$5,724,000	\$5,810,000	\$ 46,400	\$ 70,400	\$12,850,800	6
Spartanburg	\$1,200,000	\$5,724,000	\$5,333,200	\$ 0	\$ 67,200	\$12,324,400	1
Charleston	\$1,200,000	\$5,724,000	\$6,048,800	\$ 48,400	\$ 72,000	\$13,093,200	9
Greenville	\$1,200,000	\$5,724,000	\$5,333,200	\$ 0	\$ 67,200	\$12,324,400	1
Atlanta	\$1,450,000	\$5,724,000	\$6,408,000	\$ 51,200	\$ 60,800	\$13,694,000	14
Augusta	\$1,200,000	\$5,724,000	\$5,687,600	\$ 45,600	\$ 57,200	\$12,714,400	4
Savannah	\$1,200,000	\$5,724,000	\$6,227,600	\$ 50,000	\$ 60,000	\$13,261,600	10
Charlotte	\$1,250,000	\$5,724,000	\$5,687,600	\$ 45,600	\$ 48,000	\$12,755,200	5
Greensboro	\$1,200,000	\$5,724,000	\$5,989,600	\$ 125,600	\$ 49,200	\$13,088,400	8
Raleigh	\$1,200,000	\$5,724,000	\$5,450,000	\$ 43,600	\$ 46,800	\$12,464,400	3
New York	\$1,800,000	\$5,724,000	\$7,367,200	\$ 780,800	\$ 113,200	\$15,785,200	21
Pittsburgh	\$1,600,000	\$5,724,000	\$6,350,400	\$ 95,200	\$ 46,800	\$13,816,400	15
Chicago	\$1,650,000	\$5,724,000	\$6,949,200	\$ 180,800	\$ 83,200	\$14,587,200	19
Cleveland	\$1,550,000	\$5,724,000	\$6,466,400	\$ 51,600	\$ 98,400	\$13,890,400	16
White Plains	\$1,850,000	\$5,724,000	\$7,367,200	\$ 250,400	\$ 113,200	\$15,304,800	20
Hartford	\$1,450,000	\$5,724,000	\$5,931,200	\$ 201,600	\$ 81,200	\$13,388,000	11
Denver	\$1,600,000	\$5,724,000	\$6,170,000	\$ 49,200	\$ 77,200	\$13,620,400	13
Houston	\$1,550,000	\$5,724,000	\$6,112,400	\$ 48,800	\$ 83,200	\$13,518,400	12
Jacksonville	\$1,300,000	\$5,724,000	\$5,687,600	\$ 74,000	\$ 94,400	\$12,880,000	7
Los Angeles	\$1,650,000	\$5,724,000	\$6,646,000	\$ 33,200	\$ 136,400	\$14,189,600	18
St. Louis	\$1,450,000	\$5,724,000	\$6,588,400	\$ 98,800	\$ 98,400	\$13,949,600	17

## ADMINISTRATIVE OFFICE POTENTIALS AND THE FEDERAL GOVERNMENT

In addition to the prospects offered by the private sector, the expansion and regionalization of the federal government offers another source of administrative office potential. In 1974, for example, the civilian employment level by the federal government (excluding the Department of Defense, U.S. Postal Service and the Veterans Administration) totaled over 900,000 workers.

There is some evidence that South Carolina is not realizing its fair share of federal government civilian employment. In 1960 there were 22,500 of these employees in South Carolina, or about nine per 1,000 population. In contrast, however, the national average was 13 per 1,000 population, and of seven Southeastern states examined only Georgia had a lower civilian federal employee/population ratio. This situation improved somewhat by 1974, but South Carolina's comparative index of employment in this sector rose to 11, and the national average was still higher at 14; four of the six Southeastern states (North Carolina and Florida excluded) had higher relative employment figures.

### Civilian Employment in the Federal Government For Selected States, 1960 and 1974

	<u>1960</u>		<u>1974</u>	
	Employment	Employment	Employment	Employment
	(000)	Per 1,000	(000)	Per 1,000
	<u>(000)</u>	<u>Population</u>	<u>(000)</u>	<u>Population</u>
South Carolina	22.5	9	29.7	11
North Carolina	28.5	6	41.7	8
Georgia	55.5	14	75.6	15
Virginia <sup>1</sup>	66.9	20	28.2	20
Tennessee	34.1	10	50.3	12
Alabama	60.9	19	56.9	16
Florida	48.0	12	76.3	9
United States	2373.0	13	2896.6	14

<sup>1</sup>Excluding the Washington, D.C. SMSA.

Note: Excludes CIA, temporary seasonal U.S. Postal Service, National Security Agency and agencies with less than 2,000 employees.

Source: U.S. Civil Service Commission and U.S. Department of Commerce, Bureau of the Census, Current Population Reports.



In viewing this civilian employment more closely it becomes apparent that 69 percent of the total is concentrated in three departments or agencies: Department of Defense, U.S. Postal Service, and the Veterans Administration. If these three sectors are deducted from the analysis, South Carolina's share of federal civilian employment compares even less favorably. In 1974, for example, by deducting these three agencies, the state's ratio of federal civilian employment per 1,000 is 1.5 jobs. The national average, however, is 4.3; and each of the six other Southeastern states exceed the South Carolina ratio with a high of 6.2 noted in Tennessee (the TVA influence) to 1.9 noted in North Carolina.

Civilian Employment in the Federal Government  
By Category for Selected States, 1974

	<u>Total</u>	<u>Department of Defense, U.S. Postal Service and Veterans Admin.</u>	<u>Other Employ- ment Per Number 1,000 Persons</u>
South Carolina	29.7	25.5	4.2
North Carolina	41.7	31.6	10.1
Georgia	75.6	54.4	21.2
Virginia <sup>1</sup>	78.2	65.8	12.4
Tennessee	50.3	24.6	25.7
Alabama	56.9	37.2	19.7
Florida	76.3	59.7	16.6
United States	2896.6	1996.3	900.3

Source: Ibid.

In looking at the regionalization of the federal administrative function, Atlanta has quite obviously reaped the greatest benefit. A portion of the federal regionalization has taken place or been converted to a Standard Structure which places South Carolina in Region IV, with Atlanta as regional headquarters. Some 25 agencies fall under this classification.

Another 83 regionalized federal agencies do not fall in this format. Of these 83 other regions Atlanta, however, is the regional headquarters for 45 offices. The second ranking city, Washington, D.C., has only four such facilities, while four cities have three offices and two additional cities have two each. In sum, South



Carolina contains only two of these offices and both are located in Columbia:

- ...Department of Agriculture, Federal Crop Insurance Corporation (serving South Carolina, Georgia, Florida, and part of Alabama.)
- ...Farm Credit Administration, Examination Division (serving all Atlantic Ocean and Gulf of Mexico border states from Maine to Louisiana, plus West Virginia and Vermont.)

While both of these offices headquartered in Columbia are regional in scope, they employ only a relatively small number of persons. The distribution of these offices in 1975 was:

Distribution of Regional Federal Agencies and Offices  
In the United States, July 1, 1975

	<u>Number</u>	<u>Percent</u>
Agencies headquartered in Atlanta under Region IV of the Standard Federal Regions (serving Kentucky, Tennessee, Mississippi, Alabama, North Carolina, South Carolina, Georgia and Florida)	25	23.2%
Agencies headquartered in regions serving South Carolina other than Standard Federal Regions (83)		(76.8%)
Atlanta	45	41.7
Washington, D.C.	4	3.7
New York City	3	2.8
Richmond	3	2.8
Miami	3	2.8
New Orleans	3	2.8
Birmingham	2	1.9
Columbia	2	1.9
Other Cities	18	16.7
TOTAL	108	100.0%

Source: Office of the Federal Register, "Federal Register," Vol. 40, No. 190, September 30, 1975.

More significant to Columbia, for example, has been offices such as the Housing and Urban Development (HUD) South Carolina state office which is an extension of the Atlanta regional office. This facility currently employs about 140 persons.

It appears that the potential for South Carolina in increasing its share of federal civilian employment in administrative functions lies either in the relocation of existing regional offices or the expansion of regional facilities in providing a sub-regional office for the state. In light of current attitudes toward the broadening of the federal bureaucracy a third source of potential via the establishment of new agencies is probably the least likely potential source. Moreover, prospects for growth in this sector by means of state and/or sub-regional offices have been brightened by an official attitude of establishing closer state and local communications (as noted with the HUD move to Columbia in 1971).

As evidence of this attitude are the activities to date of the Federal Regional Council which has sought to: (1) improve delivery of Federal grants by alleviating inconsistent planning requirements, coordinating and integrating Federal planning grants, and ensuring that direct Federal planning is consistent with State and local plans; (2) assist State and local governments to analyze and plan for events causing major regional changes; (3) mobilize resources for organizing new Federal initiatives such as establishing Federal Energy Regional Offices during the energy crisis and delivering assistance in other crisis and disaster situations; (4) act as the State and local communications channel for information concerning the Federal budget and other Federal programs; and (5) mobilize Federal assistance to enhance the ability of States and localities to manage their affairs.<sup>1,2</sup>

There appears to be little, if any, effective means for the state, however, to directly influence new regional or sub-regional locations except within a highly political atmosphere. Statistical analysis as a means to project state potentials for this specialized type of administrative function would, therefore, be a virtually theoretical exercise.

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<sup>1</sup>U.S. Government Manual, Appendix D, page 782.

<sup>2</sup>Emphasis added.



ADMINISTRATIVE OFFICES:  
THEIR POTENTIAL BENEFITS TO SOUTH CAROLINA

Certainly for a directed program seeking to attract any rather specialized economic sector, an evaluation of that sector's benefits is important. While this chapter will not present a highly detailed examination of the economic benefits of administrative offices or a detailed alternative benefit analysis to other development alternatives, it does look at three key areas of interest:

- (1) Wage variations and potentials;
- (2) Pollution;
- (3) Economic diversification.

Wages

On an overall wage and salary basis, it appears rather obviously that a primarily administrative function pays higher than that industry's manufacturing or service function. For example, in examining the "administrative and auxiliary" employees' average pay in five industry categories (as shown in the following table), it was found that this figure exceeded the "production" work force's pay by anywhere from seven percent up to 77 percent. In the case of the "finance, insurance and real estate" industry even "production line" employees are heavily office occupation oriented, accounting for the small variation. On the other hand, in retail trade only a small portion of the administrative function is carried on within a given store, and as a consequence wages and salaries within the industry fluctuate significantly between store operations and "administrative and auxiliary" functions.

The manufacturing sector showed an average administrative operations wage level some 38 percent above all manufacturing production facilities level. This manufacturing administrative average was above fifteen of the eighteen SIC two-digit level industries (from a high of +114 percent compared to apparel, down to +6 percent over primary metals); was even with another (tobacco), and below only two manufacturing categories (paper, 9 percent under and chemicals - 6 percent).



Administrative and Auxiliary Offices Average Wage Advantage  
Over Production or Service Functions in South Carolina

<u>Category</u>	<u>Percent Above</u>
Contract Construction	+28%
Manufacturing	+38%
Food Products	+58%
Tobacco	+ 0%
Textiles	+42%
Apparel	+114%
Lumber and Wood	+85%
Furniture	+71%
Paper	- 9%
Printing	+37%
Chemicals	- 6%
Petroleum and Coal	+10%
Stone, Glass, Clay	+21%
Primary Metal	+ 6%
Fabricated Metal	+32%
Non-Electric Machinery	+18%
Electrical Equipment	+54%
Transportation Equipment	+45%
Instruments	+45%
Miscellaneous	+69%
Wholesale Trade	+56%
Retail Trade	+77%
Finance, Insurance and Real Estate	+ 7%

Source: U.S. Department of Commerce, Bureau of the  
Census, County Business Patterns.

In terms of total employment and wages reported, in County Business Patterns<sup>1</sup> the combined "administrative and auxiliary" office average earnings exceeded the average pay of all employment categories in the State by about 47 percent.

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<sup>1</sup>Published annually by the U.S. Department of Commerce, Bureau of the Census. This report does not include employment and earnings from government employers, railroad employers or self-employed persons.

In part this wage differential is a result of a relatively small percentage of employment gaining above average share of total payroll, i.e., top and middle level executives. However, even with this influence removed, wage benefit differentials can still exist. In looking at a detailed manufacturing industry study of 348 shop job titles (and their average wage paid in South Carolina in 1975) versus 16 office job titles, it was found that office job titles (as shown in Exhibit XVIII):

...were above median shop wages paid in ten of the 16 office job categories;

...were about equal to median levels in two categories;

...were below the median in four categories.

The generation of higher paying jobs in South Carolina has, of course, been a major goal of development agencies throughout the State. In light of income characteristics in South Carolina, the importance of this task is magnified. In 1950 the state's per capita income ranked 47th among the 50 states, and 40 percent (around \$600) below the U.S. average. By 1974 South Carolina had improved its ranking one place to 46th, its relative income deficit to the U.S. average had declined to 21 percent, although its dollar gap had grown to over \$1,100. Even in the face of the growing dollar gap between South Carolina and U.S. average per capita income, from 1950 to 1974, the state continued to decrease its relative income deficit. However, the economic downturn in 1975 resulted in not only a growing absolute deficit (up to \$1,313), but for the first time in a quarter century the state's relative income differential increased from 21 percent to 23 percent as is shown in Chart II.

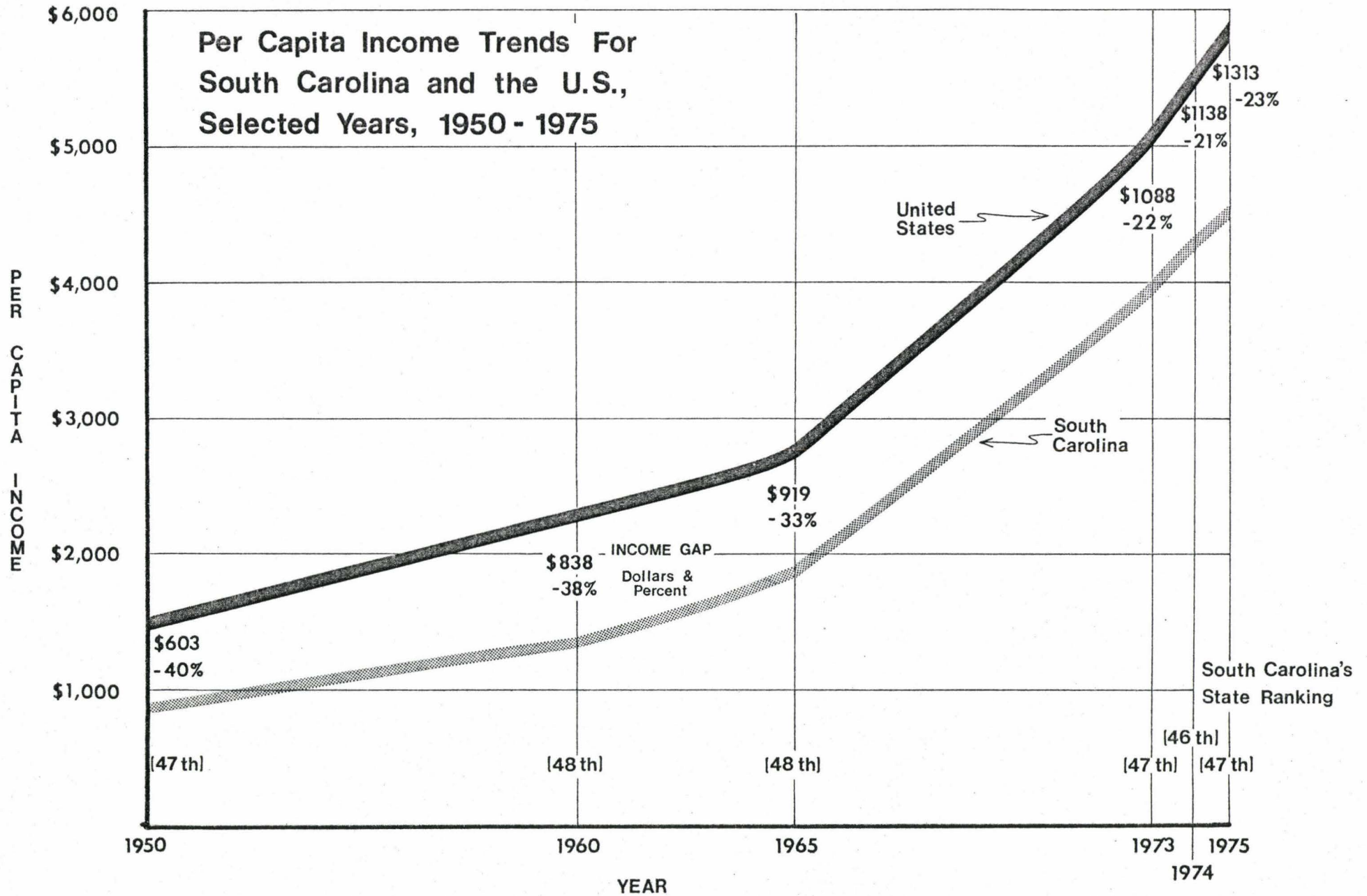
#### Pollution

While no specific pollution indices are available for evaluating administrative offices, suffice it to say that it would be difficult to envision a less pollutant industry while a number of manufacturing operations would rank well above offices in pollution potential.

#### Economic Diversification

Another advantage to attracting administrative offices would be the consequent economic diversification that would hopefully

CHART II



Source: U.S. Department of Commerce, Survey of Current Business



follow such activity. In comparing state and national figures, it is apparent that in each industry category (except "finance, insurance and real estate) South Carolina has a considerably smaller ratio of "administrative and auxiliary" employment than noted nationally.

Relative Sizes of "Administrative and Auxiliary" Functions  
By Industry Category for South Carolina  
and the United States

<u>Industry</u>	<u>South Carolina</u>	<u>United States</u>
Construction	0.2%	0.9%
Manufacturing	2.9	5.5
Wholesale Trade	0.9	4.6
Retail Trade	1.4	3.1
Finance, Insurance and Real Estate	0.9	0.6
Services	0.1	0.5

Source: U.S. Department of Commerce, Bureau of the  
Census, County Business Patterns.

One argument for economic diversification is that by spreading employment more consistently in different types of jobs, unemployment rates will be, relatively speaking, less subject to specific or general economic downturns. In looking at state and national unemployment figures in March of 1968 through 1976, it is difficult to draw any real conclusions as to South Carolina current economic stability. With the exception of severe setbacks in 1975, South Carolina was consistently at or below national unemployment levels. Currently, the state has recovered in 1976 to an unemployment rate one full percentage point below the U.S. mean. In 1975, however, the state was hit severely by the recession and realized unemployment levels some four percentage points over the national average. These kinds of results, therefore, cloud the ability to make a very precise judgement about South Carolina's stability in terms of economic diversification (see Chart III).

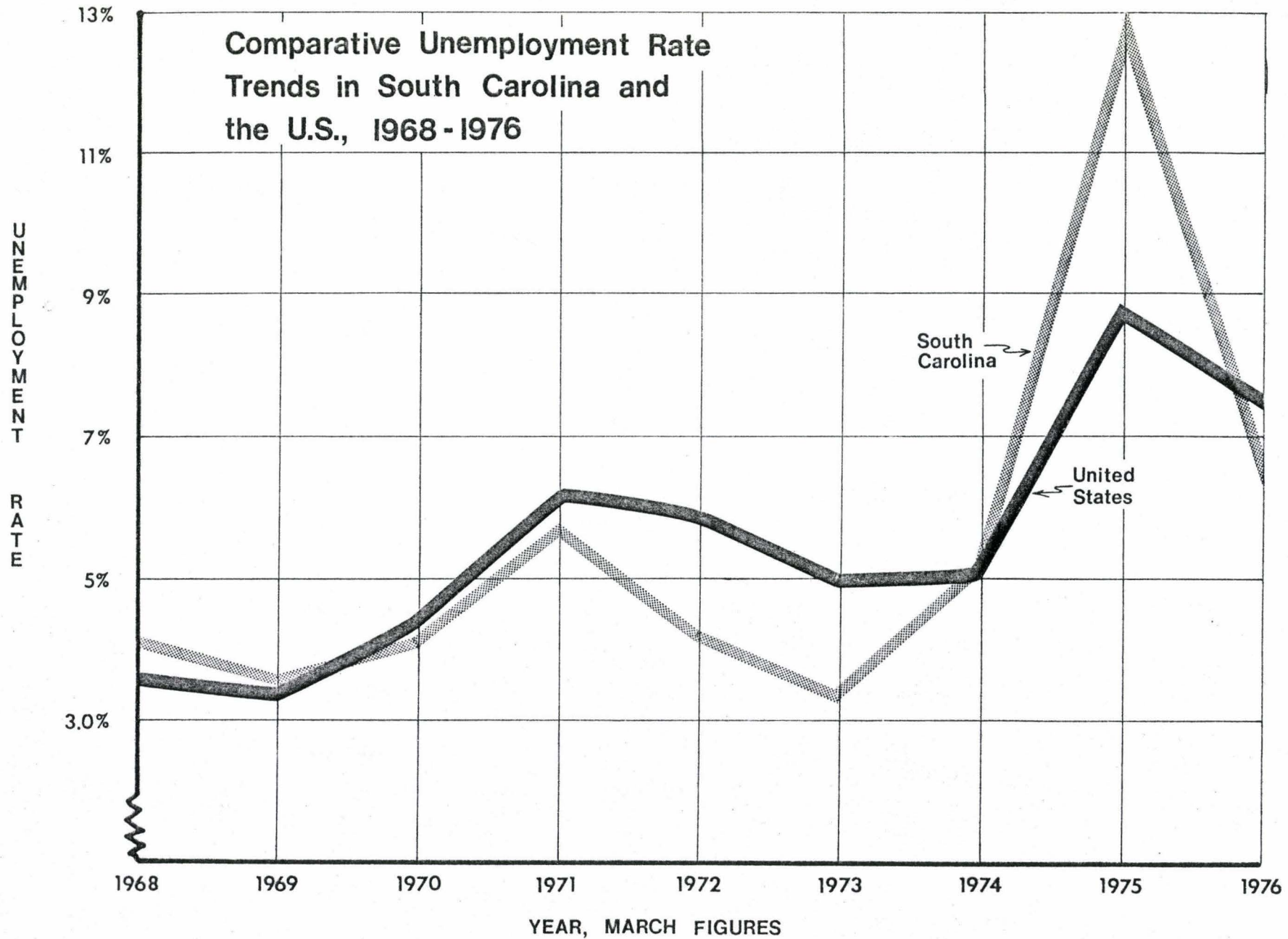
## EXHIBIT XVIII

COMPARISON OF AVERAGE WAGE LEVELS PAID IN SHOP  
VERSUS OFFICE JOB TITLES, SOUTH CAROLINA, 1975

<u>Job Title (office)</u>	<u>Avg. Rate Range</u>		<u>Avg. Wage Paid State</u>	<u>Shop Jobs Paying...</u>		
	<u>Minimum</u>	<u>Maximum</u>		<u>Lower Wages</u>	<u>Same Wages</u>	<u>Higher Wages</u>
Accounting Clerk	3.34	4.05	3.61	194	2	152
Billing Machine Operator	3.19	3.73	3.57	190	0	158
Bookkeeping Machine Operator	3.41	3.85	3.99	244	1	103
Clerk, Cost	3.37	4.18	3.77	217	2	129
Clerk, General Office	2.88	3.48	3.27	131	2	215
Clerk, Mail	2.99	3.67	3.48	172	3	173
Clerk, Payroll	3.15	3.76	3.49	175	1	172
Clerk, Typist	2.90	3.51	3.52	179	2	167
Draftsman, Detail	3.97	5.01	4.72	311	1	36
Draftsman, Layout	4.70	6.04	6.20	340	0	8
Key Punch Operator	2.95	3.76	3.40	159	1	188
Secretary I	3.59	4.33	4.09	253	2	993
Secretary II	3.25	3.98	3.77	217	2	129
Stenographer	3.16	4.00	3.97	239	2	197
Switchboard Operator - Receptionist	2.92	3.50	3.25	125	2	221
Timekeeping Clerk	3.06	3.69	3.39	157	2	189

Source: S.C. State Board for Technical and Comprehensive Education, Industry Wage and Practices Survey, South Carolina, April, 1976.

CHART III



Source: U.S. Department of Labor  
South Carolina Employment Security Commission



## Summary

From just this brief analysis of potential benefits of administrative offices, it appears that by attracting a greater relative number of these facilities the state could:

- ...increase overall wage and salaries of South Carolina citizens;
- ...increase wages earned by non-executive workers;
- ...limit pollution potential to a minimum level;
- ...provide a greater relative range of employment opportunities within the state;
- ...broaden the scope of the business community in South Carolina.

CONCLUSIONS RELATIVE TO  
SOUTH CAROLINA ATTRACTING  
ADMINISTRATIVE OFFICE FACILITIES

In evaluating South Carolina's potential entrance into a competitive program to attract headquarter and/or regional and district administrative offices, the following conclusions were reached.

1. After reviewing those locational factors rated by corporate planning directors and other company executives, as significant to the placing of their administrative office function, and then comparing these factors among South Carolina major urban areas and seventeen other selected cities nationally, it appears that the state's larger centers have:

...relative advantages in:

- a. Taxes
- b. Public Support Services
- c. Labor
- d. Wages
- e. Building costs
- f. Cost of living

...relative disadvantages in:

- a. Scheduled airline passenger service
- b. Prime office space to lease

...average relative competitive strength in:

- a. The highway system
- b. Housing for executives
- c. Public school system.

And, importantly, it is felt that if South Carolina can develop governments that are progressive, familiar with the needs of corporate offices, and that can become receptive to this industry, an asset can be created...one strongly emphasized by corporations.

2. The lack of a specifically directed program on either the state or a local level has resulted in only very modest activity in this field, and as a result, a very probable information gap between the potential prospects and the advantages that South Carolina can offer.

3. The primary disadvantage facing South Carolina is the need for air service improvement. The obvious dilemma here is of the "chicken and egg" variety. If businesses are attracted to the state, the added demand for service will be followed by a "natural" increase in flights. But, the large national corporations or major regional functions indicate a desire to have the flights already available before the location is chosen.

4. Another disadvantage South Carolina has relative to attracting administrative office prospects is the relatively small inventory of prime office space to lease. It is felt that unless this situation shifts in a meaningful way, the results of a strong office oriented program would be less than it could or possibly should be. The relative lack of major prime space for administrative offices, especially for larger size functions, is somewhat similar to attempting to attract a large major manufacturing facility to an area with limited sites.

The past and current recession will make this particular task extremely difficult and maybe impractical for now. But, it is a disadvantage that must be dealt with in some manner. In part, this situation could be approached for each urban area by making readily available information on office space that is, or will be, coming on the market.

5. On the positive side, South Carolina's major urban areas quite obviously possess several locational advantages over a good number of major metropolitan cities. These features, along with important factors which are not as readily "comparable," must be brought to the attention of prospects. These comparative advantages, along with the more subjective factors of "higher education facilities in the area," "good image of the city," and "receptive state and local government," "recreational and cultural amenities" must be more strongly presented if stated disadvantages are to be overcome or mollified.

Unfortunately, those liabilities which have been noted for the state major urban areas are factors which will probably be most apparent to a prospective firm. While our area's lower taxes, labor availability and cost, economic growth and stability, governmental attitude, cost of living, etc., may be easily merchandised, it will be difficult



to gloss over the facts of weak air service or relative short inventory of office space. Consequently, any promotional efforts must be conducted with a complete knowledge of the liabilities and as strong an up-to-date positive response to these situations are possible. It is also apparent that within the state the different urban areas are in varying positions and possess different office attraction's qualities than others. In these cases, the development effort should be ever mindful of these varying assets and qualities and how they potentially affect differing kinds of office prospects. In any event, it should be noted that the common asset shared by all the state's major urban areas are their cost savings advantage.

6. It can be concluded that few cities or states have strong, active programs functioning directly in and exclusively for the "offices industry." Each area seems to have its own concept of "selling the city" and attracting offices is generally only a vague part of this activity.

That is, for some areas checked -- such as Houston, Atlanta and Jacksonville -- cities seem to be highly concerned about building a favorable, progressive, almost innovative image for themselves. The idea seems to be to sell the area on all levels...market accessibility, transportation, labor, government, climate, liveability, etc... with an overall theme of progressiveness.

After a favorable image has hopefully been created through merchandising efforts, these cities hope that corporations will seek them out. They seek to establish a desirable product -- the city -- that will generate its own demand.

The extent to which an area can successfully accomplish the above varies considerably based upon size, location, competition, leadership, etc. For example, out of these three metros, Jacksonville would be the weakest. And, while the Jacksonville program is similar to that described above, it, by necessity, is supplemented with "gimmicks." The tax advantage offered to insurance companies is the prime example. Without this benefit, the skyline of Jacksonville would be much less impressive and the economy rather staid. In addition, the area still promotes lower overall taxes, lower wages, etc., to attract business. But, there exists a growing movement to eliminate these as "selling points" and also to dissolve the tax advantage for insurance companies. These will happen almost automatically as the city and its image grow and become more sophisticated. And, many of these tax incentives have been dropped recently.

Atlanta and Houston are more closely comparable, and the former would have to be given a slight edge over Houston in image building. Atlanta has utilized its assets almost to perfection and has succeeded in creating a "product" that is in great demand. The reasons for this success have been leadership, money, lack of competition, location, climate, and attitude. Atlanta really sells image and little else. The city does not sell competitive advantages such as labor, construction cost, wages, etc. It takes the position that Atlanta is the "only ballgame in town" and companies seeking a South-eastern location must consider Atlanta.

Relative to their offices attracting program, they do little more than answer inquiries. But, they do a great job of this, utilizing research and public relations. Their brochures are expensive and factual. And, their success speaks for itself.

Houston falls in between the two cities. A major part of its success has been oil related. Thus, it has an asset...location... that the other areas lack. Their program is not as "flashy" and egotistical as Atlanta's, but not as pedestrian as Jacksonville's.

Thus, it is evident that the programs for attracting administrative offices are tailored to the individual areas. The size, direction, sophistication, and overall makeup of each program depends upon the:

- ...overall, and in particular, business, image of the area.
- ...competition.
- ...locational advantages of the area.
- ...existing economic development, program objectives, attitude and resources.
- ...leadership and other resources in the region, especially money.

7. Another more subtle arena of administrative offices are those tied to the Federal Government. In this field, it is difficult to ascertain to what degree the regionalization of federal offices is political or functionally motivated. There is an apparent push to standardize as many federal regions as possible and under this arrangement Atlanta would be the recipient of these regional "headquarters." With the apparently stated goal of more closely serving the public, there is the distinct possibility that state offices, such as the HUD move to Columbia, could be realized. In all probability,



the pulse of this potential activity could best be kept by a joint effort of state and local development officials and the state's national legislative delegation. In this respect, state and local development professionals could provide necessary specific data as background and substantive material as a basis for the work of the legislative delegation.

Moreover, state and local development officials are in a position to act as the catalyst for such an activity.



## ESTABLISHMENT OF AN ADMINISTRATIVE OFFICES DEVELOPMENT FUNCTION

The preceding have vividly demonstrated the size, characteristics, impact and vitality of the administrative offices location and relocation field. It is also obvious from the foregoing chapters that South Carolina can compete in this economically beneficial industry. And, while the positive conclusions are detailed in the preceding chapter of this report, it was felt best to prepare a separate section on the suggested organization and function of the Development Board in this area...the program itself.

To accomplish this, it was believed best to suggest an overall objective of the program, followed by a development philosophy, strategies, and specific tasks. But, prior to these subjects, it was felt a few facts and suggestions should be presented as an "introduction."

### Introduction

1. The quantitative and qualitative research results strongly suggest that the State Development Board move into the area of administrative offices development. South Carolina appears to have many of the locational requirements (especially in the area of operating cost savings) for offices of various types and it is felt that this activity could benefit the state...particularly the urban areas...considerably.

2. Time-wise, such an effort apparently could not be better programmed. The discontent with Northeastern and Midwestern urban corporate office life is widespread and the interest in relocation and regionalization has increased measurably. Just in the month of May, for example, Mobil Corporation and St. Regis Paper Company both announced intentions to relocate their corporate headquarters from Manhattan to less congested, more "liveable" areas. And, apparently these kinds of actions are going to become rather routine during the coming decade. It is a large and expanding market potential for South Carolina.

3. There is evidence that the state's efforts in this area should be slanted more towards regional or divisional offices and mid-size corporate headquarters. Giant national offices (such as Mobil's) demand larger and more culturally sophisticated metro areas than those found in South Carolina.

4. And, since the counties and cities that would benefit most from such emphasis would be the metropolitan areas of Charleston, Columbia, Greenville and Spartanburg, it is suggested that a major portion of this program's responsibility be placed upon these areas' development agencies.

5. It should be constantly remembered that "administrative offices development" is completely different from "industrial development." This report, hopefully, has documented this fact beyond a doubt. And, these differences translate into needs for special approaches, talents, education, research, personnel, advertising, etc. directly related to this field.

The attraction of administrative offices will become a very competitive field soon and South Carolina cannot successfully compete by simply assigning existing personnel at the Development Board to this important area to handle in their "spare time." Such an approach would probably result in less than desirable results.

The program would require the full attention and understanding of one or more professionals (the number could vary according to the program's scope, objectives and phasing) and the knowledgeable support of all contributing Development Board divisions (research, advertising, community development, etc.).

A "half prepared," token program without direction and continuity will almost surely fail. It will take a strong, well defined and professionally guided undertaking to succeed.

6. This paper has shown that the attraction of administrative offices to a city provides many benefits...economically and otherwise. For example, these offices generally bring with them rather sophisticated, middle class families that often add to the resources of a community. In addition, the offices themselves offer good employment opportunities with average or above incomes; are non-pollutors; often locate downtown helping to stabilize the central business district; pay taxes; increase the demand for business services; purchase products; diversify the economy; and stimulate construction, among other things. So, they are very beneficial and desirable economic segments.

With the above "facts" presented as background, the suggested objective of the program is presented next.



## Objective

The primary goal of the program would be to maximize the use of the state's resources and optimize economic benefits to South Carolina's population by diversifying the economy through the attraction of compatible administrative offices.

## Philosophy

It is very important that the Board adopt an approach... philosophy...towards this program. And, it is recommended that this "posture" be formally established in writing so that it can guide the growth and expansion of the concept. If this is not done, a philosophy will still informally emerge from a mixture of ideas, approaches, actions or inactions, conversations, attitudes, etc. And, it may not be the kind of approach best suited for the activity. Also, such uncontrolled and often undetected creation of a program philosophy runs the danger of being not understood, misunderstood, or misinterpreted. So, it is recommended that a general approach be agreed upon early in the project's life and the following is offered as a suggested "program philosophy."

The South Carolina State Development Board believes that the creation of an administrative offices attracting program is beneficial to the state, and will offer guidance, suggestions and help to any local development agency in establishing such activity and will provide specific prospecting, merchandising and research assistance to areas where such programs are formally established and operating.

## Strategies

How can the above rather general objective be met within the suggested philosophy? As in all complicated, yet worthwhile undertakings, a series of strategies are needed here; and the proceeding are offered as suggestions, followed by tasks or steps that would be required for implementation.

1. Experience has shown that new programs, especially ones of this magnitude, must be directed and controlled from one source if they are to work. This is extremely important early in the program's life. Thus, it is felt that the South Carolina State Development Board must not only "give birth" to this concept, but also



retain responsibility for practically all phases of its guidance and vitality until strong evidence has been shown that local economic development agencies have the interest and the resources needed to "take over" the various functions.

And, one by one, location by location, these could be turned over to the local leaders. Probably, the metro areas will be the first to show strong interest... Columbia in particular has demonstrated a deep interest in this field and probably would be the first to move into action.

In any event, the strategy suggested is for the state to strongly maintain control, gradually relinquishing it as localities reveal the needed interest and capabilities to insure that this program does not demise due to lack of concern, direction, day-to-day examination, or continuity. And, this is stated knowing full well that most of the program's activities could best be handled at the local level.

2. The administrative offices development program should be under the full-time direction of one professional. It is basically a new field and few people have experience and educational backgrounds that match the requirements of the job. So, it is felt that the person selected would learn the position to a significant extent through "on-the-job" training.

Thus, probably a relatively young person with a business-oriented education, who is free to travel and experienced in industrial development, would be needed. While the latter might seem somewhat unimportant since office and industrial development do differ measurably, it is believed that such a background would be generally beneficial in dealing with new office locations or relocations and specifically of value in working with executives and the staff and board members of the State Development Board.

Of course, a support staff would be required. The size and make up of this would depend on how rapidly the program is pushed; how the local agencies react; budget considerations; etc. So, it is difficult to judge now. But, certainly as a minimum this person would need a

full-time secretary.

3. It is important that all the official board members and the staff become oriented towards the offices-attracting program...in particular how it differs from industrial development. This activity, when and if implemented, will require considerable support and specific and often rapid assistance from all divisions and the Board. Therefore, it would be desirable to get all these individuals to be automatically thinking and responding not only in the traditional "manufacturing industrial needs" way, but also in terms of office locational requirements.

### Tasks

The following step-by-step suggestions are made as a beginning. These tasks will undoubtedly change measurably by "implementation time," but they should prove beneficial as a point of reference...a starting point. And, they, obviously, are designed to reflect the preceding philosophy and strategies... which also may be altered with time and experience.

1. Using information in this report and other data, it is recommended that an "orientation package" be prepared to be distributed to the Board members and staff, but more importantly to the development professionals statewide. For, as earlier referenced, if this program is to be successful it must have the support, understanding and cooperation of the entire economic development community...especially the metro area leaders.

This package could include possibly an "informational brochure" supplemented by a slide tape presentation or other visual aides. The important items to emphasize include:

- ...the size and characteristics of the market.
- ...locational needs.
- ...South Carolina's assets and liabilities.
- ...the benefits of such a program.
- ...what is needed from the local agencies.
- ...how the Board would like to help (emphasizing prospecting).



Of course, the first group to be fully informed should be the Board itself and staff. The Board members would probably at this point have a good understanding of the concept since they would be required to act early to get the program "off the ground." But, it would be a good idea to get back in touch with them at this point since the concept would be better dimensioned and detailed.

The staff orientation activity would be very important. They should be informed specifically about the program and how each would be expected to participate.

Next, the remainder of the state's economic community should be briefed. This presentation could be held at an SCIDA meeting possibly, or at another appropriate function. Its goals would be to provide information and solicit support and cooperation.

2. Assuming all the goals are met, it would be necessary for the board then to hire a person to head this program and let this professional construct his office and staff.

The major functions of this office as pictured now will be prospecting and coordination. The degree of each again would depend upon the posture taken by the local economic development agencies. The more they would do, the less required from the Board, and vice-versa. But, in any event, prospecting should remain as a primary responsibility for this operation. This means that this person would probably spend a lot of time in New York and other major areas of discontent. And, this activity could easily reach a point where a full-time person might be required to travel with one "back in the office."

Within the Board, all of the various support needs, plus the constant contact with the local agencies, would need to be coordinated almost daily. It is anticipated that considerable help would be required from the Research and Planning Division and the Communications Division for significant state-wide assistance in terms of statistics and research and advertising and public relations.

3. The coordinator should rely heavily on the agencies of communities wishing to participate in the program for



local data such as office building sites; existing buildings' vacancy rates, rental rates, amenities, etc. (this information should be updated at least quarterly); airline schedules; etc.

4. And, it is suggested that following the orientation activity, establishment of an office, the assembly of all needed data, and the preparation of required support brochures, consideration be given to a powerful and professional "prospecting trip" to New York and/or other appropriate areas. The "prospect list" accompanying this study could be used as the beginning point.

## APPENDIX A

### TABULATION OF CORPORATE HEADQUARTERS AND REGIONAL OFFICES LOCATION SURVEY QUESTIONNAIRE RESPONSES

#### General

##### 1. Corporate Headquarters Location of Responding Firms:

<u>Location (Region)</u>	<u>Percent</u>
East North Central	25.8%
Middle Atlantic	20.3
Pacific	15.7
West South Central	11.2
West North Central	10.1
South Atlantic	7.9
East South Central	4.5
New England	4.5
Mountain	0.0
TOTAL	100.0%

##### 2. Length of Time Corporate Headquarters at Present Location:

<u>Length in Years</u>	<u>Percent</u>
Less than 5 years	10.1%
Five-ten years	12.4
Eleven-twenty five years	20.2
Twenty-six - fifty years	20.2
Fifty-one - Seventy-five years	20.2
Seventy six or more years	16.9
TOTAL	100.0%

##### 3. Corporations Major Business:

<u>Business</u>	<u>Percent</u>
Durable Goods Manufacturing	50.0%
Non-Durable Goods Manufacturing	35.4
Insurance	10.4
Other	4.2
TOTAL	100.0%

#### District and Regional Offices

4. Responding firms with district or regional offices in the United States.

<u>Category</u>	<u>Percent</u>
With Regional or District Offices	83.9%
Without Regional or District Offices	<u>16.1</u>
TOTAL	100.0%

- 5a. Corporations planning to open one or more regional or district offices within the next four years.

<u>Response</u>	<u>Percent</u>
Yes	32.2%
No	54.0
Maybe	<u>13.8</u>
TOTAL	100.0%

- 5b. Corporations which located a new or relocated an existing regional or district office in the last two years.

<u>Response</u>	<u>Percent</u>
Yes	51.1%
No	<u>48.9</u>
TOTAL	100.0%

- 5c. Corporations locating (or relocating) a regional or district office in the past two years and/or planning to open a new location in the next four years.

<u>Response</u>	<u>Percent</u>
Yes	60.2%
No	<u>39.8</u>
TOTAL	100.0%

- 6a. For those offices noted with affirmative responses in (5c) the ranking of location factors for district or regional offices are:



## 6a (cont.)

<u>Factor</u>	<u>Rank</u>	<u>Weight</u>
Adequate Highway System	1	3.25
Receptive State and Local Government	2	3.13
Adequate Air Transportation	3	3.12
Reasonable State and Local Tax Levels	3	3.12
Adequate Housing for Executives	5	2.91
Good Public School System	6	2.83
Reasonable Non-Executive Wage Levels	7	2.79
Good Public Support Services	8	2.67
A Good Skilled Labor Supply	9	2.60
Economic Stability and Rapid Growth of the City	9	2.60
A Reasonable Cost of Living	11	2.47
Existing Prime Office Space to Lease	12	2.41
Good Image of the City	13	2.39
-----Average Response-----		2.27
Good Support Business Services	14	2.19
Higher Education Facilities in the Area	15	2.00
Low Level of Unionization	16	1.92
Cultural and Entertainment Levels of the City	17	1.81
Site to Build Office Building	18	1.04
Proximity to Own Firm's Other Corporate Facilities	19	0.87
Effective Mass Transit System	20	0.81
Reputable Developer Who Will Build Office Building to Specifications and Lease Back	21	0.64

NOTE: 15.1% voluntarily added "market" requirements as a key locational factor.

6b. Population size urban area best meeting needs of corporations having recently moved or interested in moving regional or district facilities.

<u>Urban Area Population Size</u>	<u>Percent</u>
Under 50,000	1.5%
51,000-150,000	13.4
151,000-250,000	19.3
251,000-500,000	20.9
501,000-1,000,000	22.4
1,001,000-3,000,000	15.0
Over 3,000,000	7.5
TOTAL	100.0%

6c. Area of the country which might be considered for location of district or regional office.

<u>Area of Country</u>	<u>Percent</u>
New England	43.2%
Middle Atlantic	53.8
East North Central	53.8
West North Central	36.0
South Atlantic	79.7
East South Central	43.2
West South Central	50.4
Mountain	36.0
Pacific	57.6
Avg. Number of Responses	4.5

#### Corporate Headquarters

7. Corporations having plans to move part or all of their headquarters to a new location within the next four years.

<u>Response</u>	<u>Percent</u>
Yes	8.8%
No	86.8
Maybe	<u>4.4</u>
TOTAL	100.0%

Corporations having moved corporate headquarters in the past two years.

<u>Response</u>	<u>Percent</u>
Yes	11.0%
No	<u>89.0</u>
TOTAL	100.0%

- 8a. For those offices noted with affirmative responses in (7), the ranking of location factors for corporate headquarters location was:

<u>Factor</u>	<u>Rank</u>	<u>Weight</u>
Adequate air transportation	1	5.37
Adequate highway transportation	2	4.31
Receptive state and local government	3	4.00
Reasonable state and local tax levels	3	4.00
Adequate housing for executives	5	3.80
Good public school system	6	3.70
Good public support services	7	3.58
Good skilled labor supply	8	3.47
Reasonable non-executive wage levels	9	3.41
Cultural and entertainment levels of the city	10	3.37
Good image of the city	11	3.27
-----Average Response-----		3.17
A site for an office building	12	3.16
Good support business services	12	3.16
Reasonable cost of living	14	3.05
Higher education facilities in the area	14	3.05
Proximity to corporation's other facilities	16	2.42
Low level of unionization	17	2.11
Economic stability and growth of the city	17	2.11
Reputable developer to build office build building to specifications and lease back	19	2.00
Existing prime office space to lease	20	1.90
Effective mass transit system	21	1.37

- 8b. Population size urban area best meeting needs of corporations who have recently moved or are interested in moving corporate headquarters.

<u>Urban Area Population Size</u>	<u>Percent</u>
Under 50,000	5.9%
51,000-150,000	11.8
151,000-250,000	11.8
251,000-500,000	17.6
501,000-1,000,000	23.5
1,001,000-3,000,000	17.6
Over 3,000,000	11.8
TOTAL	100.0%



8c. Area of the country which might be considered for location of corporate headquarters offices.

<u>Area of Country</u>	<u>Percent</u>
New England	29.4%
Middle Atlantic	11.8
East North Central	17.6
West North Central	11.8
South Atlantic	23.5
East South Central	0.0
West South Central	5.9
Mountain	0.0
Pacific	23.5
Average Number of Responses	1.2

9. Attitudes of corporate planning officers to directed statements.

<u>Statement</u>	<u>Strongly Agree</u>	<u>Agree</u>	<u>Disagree</u>	<u>Strongly Disagree</u>	<u>No Opinion</u>
Generally, state and local economic development agencies are not familiar with the locational needs of corporate offices.....	7%	30%	30%	-	33%
Most state and local tax and other incentives are slanted towards attracting manufacturing facilities and not corporate offices.....	11%	59%	10%	-	20%
One of the major locational factors for corporate headquarters or district offices is the availability of sufficient prime office space to lease..	8%	48%	23%	10%	11%
Inflationary pressures will cause more corporate office moves and not less as companies vacate higher operating cost locations in large urban areas.....	5%	52%	11%	18%	14%
One of the major locational factors for a corporate headquarters or district offices is adequate air transportation..	34%	63%	3%	-	-

### Overall Survey Response

In total, 1,250 domestic and 300 foreign corporations received questionnaires. As anticipated, the response from the foreign companies was very low and so unclear that no meaningful conclusions could be drawn.

On the U.S. level, 123 questionnaire letters were returned as "undeliverable" for a variety of reasons. Out of the remaining 1,127, slightly over 21 percent, or 237 returns, were received. And, good representation was tabulated in all levels...manufacturing, financial, insurance, etc.

## APPENDIX C

### METHODOLOGY FOR DETERMINING COMPARATIVE WAGE COST LEVELS FOR SELECTED CITIES

#### Step 1

Establish a hypothetical administrative office staffing complement. For a relatively large employer this operation was assumed to have (non-executive):

<u>Title</u>	<u>Number</u>
Computer Operator, Class A	2
Computer Programmer, Class A	1
System Analyst, Class A	1
Accounting Clerk, Class A	40
Bookkeeping Machine Operator, Class A	1
File Clerk, Class B	62
Payroll Clerk	3
Keypunch, Class A	7
Stenographer, General	5
Secretaries	16
Switchboard Operator, Receptionist	1
Typist, Class B	10
Maintenance, Electrician	1
Maintenance, Carpenter	1
Maintenance, Mechanics	1
Guards and Watchmen	2
Janitors, Porters, Cleaners	<u>10</u>
Total	164



# APPENDIX B

## COMPARATIVE PROPORTIONAL LEVELS OF TAX INCOME FROM MAJOR SOURCES FOR SELECTED STATES, 1975

Percent of State Income Derived From:	South Carolina	Georgia	North Carolina	New York	Pennsylvania	Illinois	Ohio	Connecticut	Colorado	Texas	Florida	California	Missouri
1. Sales & Use Tax	35.1%	35.4%	22.9%	25.9%	25.9%	33.9%	31.5%	41.3%	30.7%	34.4%	43.0%	33.5%	35.7%
2. Income Tax	30.2	31.1	36.6	41.3	35.9	32.2	21.8	12.8	38.2	-	6.8*	35.8	26.9
3. Gasoline Tax	14.2	15.2	15.0	6.0	9.3	9.3	13.5	12.6	11.5	11.9	12.9	9.3	15.9
4. Alcoholic Beverage Tax	7.1	5.4	4.4	2.2	2.4	1.8	2.8	2.7	2.1	3.6	6.5	1.8	1.9
5. Motor Vehicle Reg. & Use	2.7	3.4	4.9	3.4	4.0	7.2	4.8	4.8	4.4	12.5	7.3	8.2	7.9
6. Insurance Companies	2.5	2.4	2.5	2.0	1.8	1.2	2.8	4.2	2.5	2.9	2.1	2.5	2.8
7. Cigarette Tax	2.4	4.6	1.1	3.9	5.2	4.2	6.8	6.6	3.9	7.6	6.3	3.3	4.6
8. Public Utilities	1.8	-	5.1	3.2	4.8	5.1	4.9	6.3	0.1	1.7	1.3	-	-
9. Franchise Tax	0.3	0.3	1.6	9.6	1.7	0.6	-	-	(see 13)	4.7	(see 13)	-	1.2
10. Stock & Realty Transfer	0.7	0.3	-	2.4	1.1	0.1	-	-	-	-	3.5	-	-
11. Estate & Inheritance Tax	0.7	0.6	1.7	1.7	2.8	1.9	1.0	5.0	2.9	1.5	1.5	2.9	1.2
12. Property Tax	-	0.3	1.6	-	3.9	-	3.0	-	(w/local)	1.5	3.4	-	0.3
13. Corporate Organization	-	(see 9)	-	-	0.1	(see 9)	5.4	0.1	0.2	(see 9)	0.1	0.2	0.1
14. Capital Gains	-	-	-	-	-	-	-	1.7	-	-	-	-	-
15. Severance Tax	-	-	-	-	-	-	0.1	-	0.1	15.9	0.6	-	-
Subtotal	97.7%	98.7%	97.4%	97.7%	98.9%	97.5%	98.4%	98.1%	96.6%	98.2%	95.3%	97.5%	98.5%

Notes: ( - ) More or less than 0.5% .  
( \* ) Corporate tax only.

Source: Commerce Clearing House, Inc., State Tax Handbook, October 15, 1975.

Step 2

Calculate a total yearly payroll cost for the hypothetical operation based on the latest available complete wage and salary study for one of the subject cities being examined. This data is obtained from the U.S. Department of Labor, Bureau of Labor Statistics, Area Wage Survey.

In this particular case these criteria were best met for Greensboro, North Carolina and its wage survey of August, 1975.

This calculation showed payroll costs of \$1,205,640:

<u>Title</u>	<u>Cost</u>
Computer Operator, Class A (2)	\$20,750
Computer Programmer, Class A (1)	12,900
Systems Analyst, Class A (1)	17,850
Accounting Clerk, Class A (40)	332,800
Bookkeeping Machine Operator Class A (1)	8,035
File Clerk, Class B (62)	381,920
Payroll Clerk (3)	22,500
Keypunch, Class A (7)	57,890
Stenographer, General (5)	41,600
Secretaries (16)	131,840
Switchboard Operator, Receptionist (1)	6,475
Typist, Class B (10)	65,800
Maintenance, Electrician (1)	11,750
Maintenance, Carpenter (1)	9,755
Maintenance, Mechanics (1)	12,125
Guards and Watchmen (2)	11,350
Janitors, Porters, Cleaners (10)	60,300
Total (164)	\$1,205,640

### Step 3

Update this total payroll cost to the desired date. Since the preceding example gave August, 1975 data and it was deemed desirable to show this type of data for 1976 (estimated, of course), this overall payroll cost figure was updated based on the national trend of average weekly earnings in the "Finance, Insurance and Real Estate Sector." This sector was chosen due to its high proportion of office related occupations.

The actual procedure for this updating was:

(a) determine the average monthly increase from the date of the area wage survey used (August, 1975) to the latest available monthly (in this case, December, 1975) data in the U.S. Department of Commerce, Survey of Current Business.

#### Average Weekly Earnings

August, 1975	\$151.06
December, 1975	153.97
Percent Change	+1.92%
Average Monthly Change	+0.48%

(b) compound this average monthly growth rate from time of area wage survey used (August, 1975) to desired date (in this case, March, 1976 was chosen).

Average Monthly Change	+0.48%
Estimated Change from	
August, 1975 to March, 1975	+3.38%

(c) multiply the calculated total wage cost by the updating growth factor:

$$\begin{aligned} \$1,205,640 + (.0338 \times 1,205,640) &= \$1,246,511 \\ \text{or } \$1,246,500 \end{aligned}$$



#### Step 4

Establish comparative cost data from the control city (in this case, Greensboro) as compared to the other compared cities. This comparison can be conducted by detailing (to as great an extent as data is available) occupational wage levels for each area (from the Area Wage Surveys). This data must then be made temporarily compatible since reports are based on different date information. This can be accomplished utilizing the same method and source as Step 3. These figures can then be used to produce comparative wage levels for each city with Greensboro as a base of 100.

Following this step, a simple mathematical procedure of converting this "index" to make the South Carolina four city average the base index of 100 and the consequent recalculation of other cities to this new base figure.

<u>City</u>	<u>Area Wage</u> <u>Survey Index</u> (Greensboro=100)	<u>S.C. Four</u> <u>City Avg.</u>	<u>Wage Index, S.C.</u> <u>Four City Avg. = 100</u>
Charleston	101	94	107
Columbia	97		103
Greenville	89		95
Spartanburg	89*		95
Atlanta	107		114
Augusta	95		101
Savannah	104		111
Charlotte	95		101
Greensboro	100		106
Raleigh	91		97
New York	123		131
Pittsburgh	106		113
Chicago	116		123
Cleveland	108		115
White Plains	123**		131
Hartford	99***		105
Denver	103		110
Houston	102		109
Jacksonville	95		101
Los Angeles	111		118
St. Louis	110		117

\* assumed same as Greenville.

\*\* assumed same as NYC based on comparative figures from  
County Business Patterns.

\*\*\*figures for New Haven, Conn.

<u>City</u>	Hypothetical 164 Non-Managerial <u>Employment Complement</u>	Difference from the South Carolina <u>Four City Average</u>
Charleston	\$1,218,000	\$
Columbia	1,169,000	
Greenville	1,073,000	
Spartanburg	1,073,000	
Atlanta	1,290,000	+157,000
Augusta	1,145,000	+ 12,000
Savannah	1,254,000	+121,000
Charlotte	1,145,000	+ 12,000
Greensboro	1,206,000	+ 73,000
Raleigh	1,097,000	- 36,000
New York	1,483,000	+350,000
Pittsburgh	1,278,000	+145,000
Chicago	1,399,000	+266,000
Cleveland	1,302,000	+169,000
White Plains	1,483,000	+350,000
Hartford	1,194,000	+ 61,000
Denver	1,242,000	+109,000
Houston	1,230,000	+ 97,000
Jacksonville	1,145,000	+ 12,000
Los Angeles	1,338,000	+205,000
St. Louis	1,326,000	+193,000